

2024

INTEGRATED REPORT

**ASSUPOL**  
HOLDINGS LIMITED



## ABOUT THIS REPORT



This is an Integrated Report in which we provide information about Assupol Holdings Limited for the financial year 1 July 2013 to 30 June 2014.

This report covers Assupol Holdings Limited ("Assupol Holdings"). The aim of this report is to convey information that is necessary for stakeholders to make an informed assessment of our performance.

All figures refer to the year ended 30 June 2014, unless stated otherwise.

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Corporate Governance 

Informational 

Leadership 

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## PERFORMANCE HIGHLIGHTS





# PERFORMANCE HIGHLIGHTS

YEAR ENDED 30 JUNE 2014

## Financial

|                                          | 2014<br>R'000 | 2013<br>R'000 | 2012<br>R'000 | % Change<br>2013/2014 |
|------------------------------------------|---------------|---------------|---------------|-----------------------|
| Net premium revenue (Group)              | 1 644 396     | 1 508 081     | 1 380 265     | 9%                    |
| Net profit after tax (Group)             | 570 462       | 268 333       | 309 080       | 113%                  |
| Group Embedded Value                     | 2 243 574     | 1 698 812     | 1 792 958     | 22%                   |
| Net value of New Business (Assupol Life) | 106 297       | 86 285        | 88 843        | 23%                   |
| Capital adequacy cover (Assupol Life)    | 272%          | 197%          | 206%          | 38%                   |

\* The Group EV is based on a management valuation. This EV was calculated prior to the redemption of the preferential shareholders in 2013.

## Economic value added

|                                         | 2014<br>R'000 | 2013<br>R'000 | 2012<br>R'000 | % Change<br>2013/2014 |
|-----------------------------------------|---------------|---------------|---------------|-----------------------|
| Employee cost                           | 230 706       | 219 920       | 203 897       | 5%                    |
| Paid to service providers               | 332 568       | 279 898       | 241 900       | 19%                   |
| Distributed to government (tax)         | 83 941        | 42 666        | 43 920        | 97%                   |
| Distributed to shareholders (dividends) | 239 261*      | –             | –             | –                     |
| Claims paid to policyholders            | 820 629       | 896 931       | 853 656       | -9%                   |
| BBBEE Score                             | Level 4       | Level 5       | Level 7       | –                     |

\* Maiden dividend declared in 2014.

## Employees

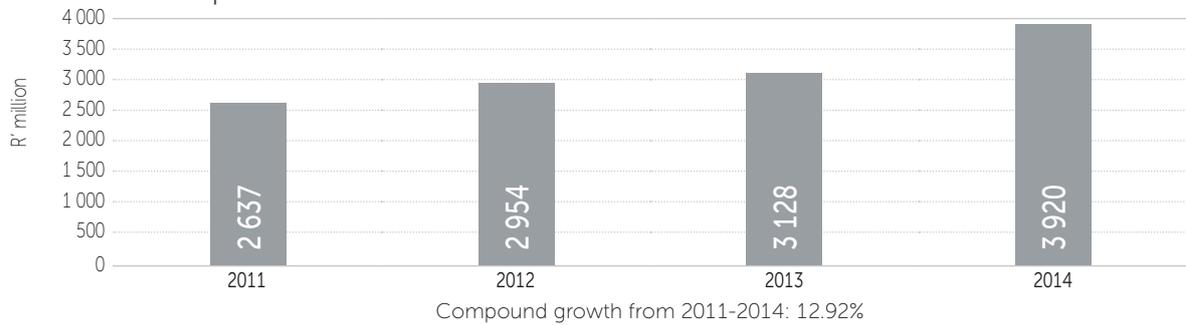
|                                      | 2014  | 2013  | 2012  | % Change<br>2013/2014 |
|--------------------------------------|-------|-------|-------|-----------------------|
| Number of Employees                  | 551   | 534   | 543   | 3.18%                 |
| Number of Representatives            | 2 140 | 2 423 | 1 550 | -11.68%               |
| Engagement Index – People Survey (%) | 74%   | 73%   | 69%   | 1.37%                 |
| Employee Turnover (%)                | 13%   | 14%   | 21%   | -1.07%                |
| Total training spend (R'000)         | 5 621 | 4 997 | 7 027 | 12.5%                 |

## Community

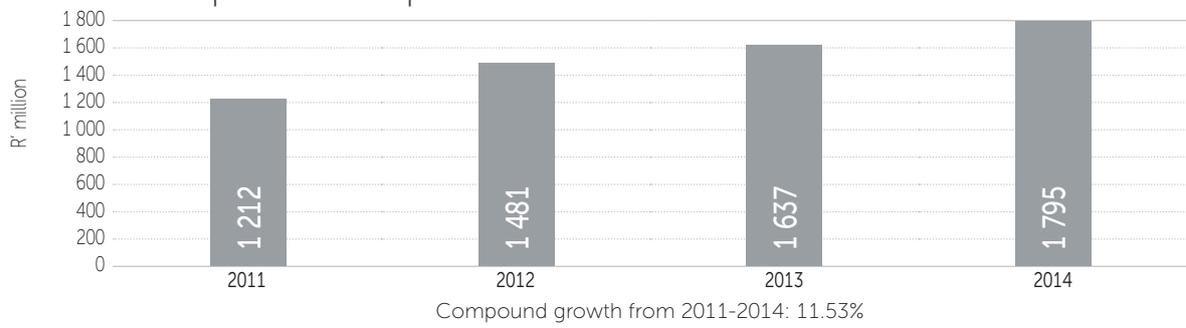
|                                | 2014      | 2013      | 2012      | % Change<br>2013/2014 |
|--------------------------------|-----------|-----------|-----------|-----------------------|
| Total Sponsorships & donations | 3 022 000 | 2 655 000 | 2 587 000 | 13.82%                |



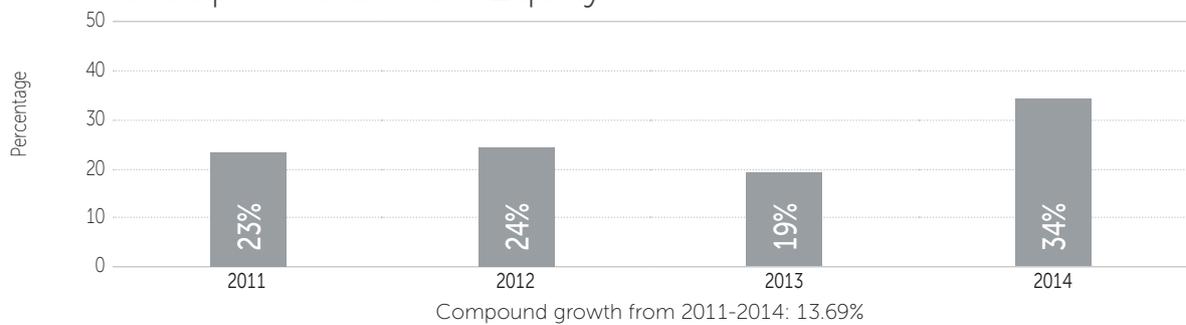
### Group – Total assets



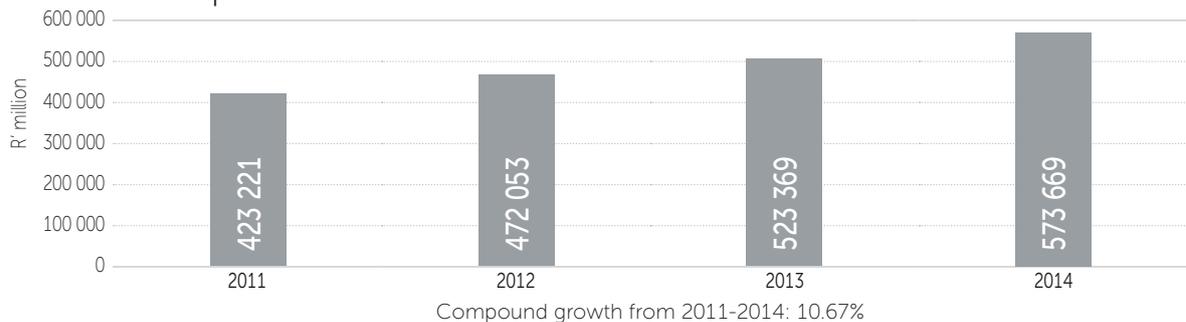
### Group – Gross premium income



### Group – Return on Equity



### Group – Policies inforce





## OUR BUSINESS





## Our Background

**A**ssupol began in 1913 among a group of South African policemen to collect contributions for bereaved families of colleagues that had passed on. This informal tradition led to the establishment of the South African Police Provident Fund. This Provident Fund later became known as Assupol, which celebrated 100 years of existence in 2013.

Throughout the years, the business has seen many changes; the most significant being the demutualisation. In December 2010, Assupol

Life was successfully demutualised and converted into a public company. This led to the formation of Assupol Holdings Limited and Assupol Investment Holdings (Pty) Ltd.

The demutualisation redemption process saw over R891 million paid out in 2013 to qualifying policyholders who opted not to keep their shares; a very substantial pay-out from an unlisted company.

Assupol's success has always been due to our aim to provide relevant and affordable insurance products and we remain committed to "serving those who serve".

## Our Philosophy

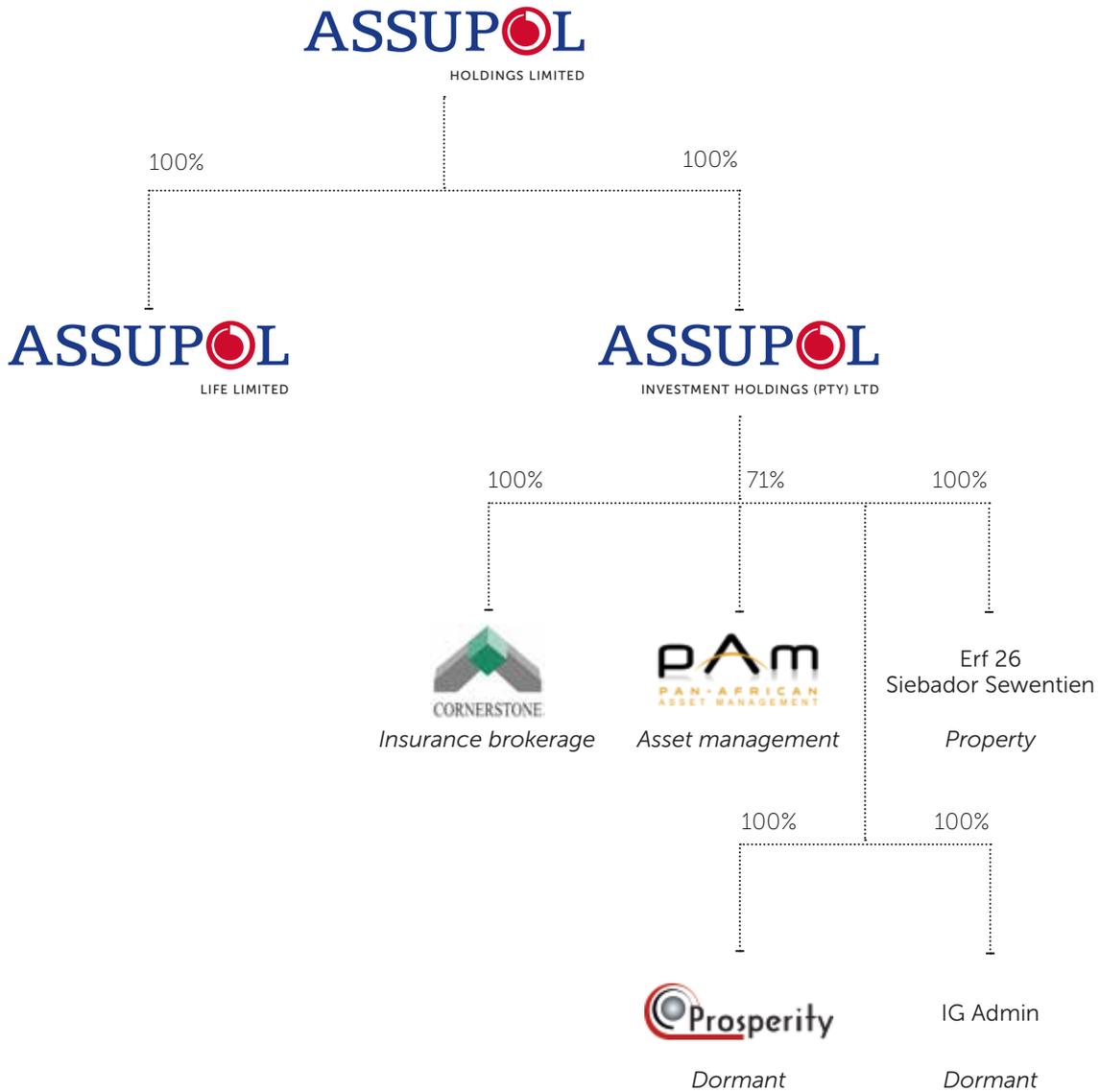




### Group at a Glance

Assupol Holdings Limited is the holding company of the Assupol group of companies. Our group operates through two

wholly-owned subsidiaries – Assupol Life Limited and Assupol Investment Holdings (Pty) Ltd.





### Assupol Life Limited

Assupol Life Limited is a life insurance company registered in terms of the Long-term Insurance Act. It provides affordable funeral, life, savings and retirement products primarily to the emerging segment of the South African market.

### Assupol Investment Holdings (Pty) Ltd

Assupol Investment Holdings is an investment-holding company. It holds our group's strategic investments - Cornerstone Brokers Corporate (Pty) Ltd ("Cornerstone") and Pan-African Asset Management (Pty) Ltd ("PAM").

### Cornerstone

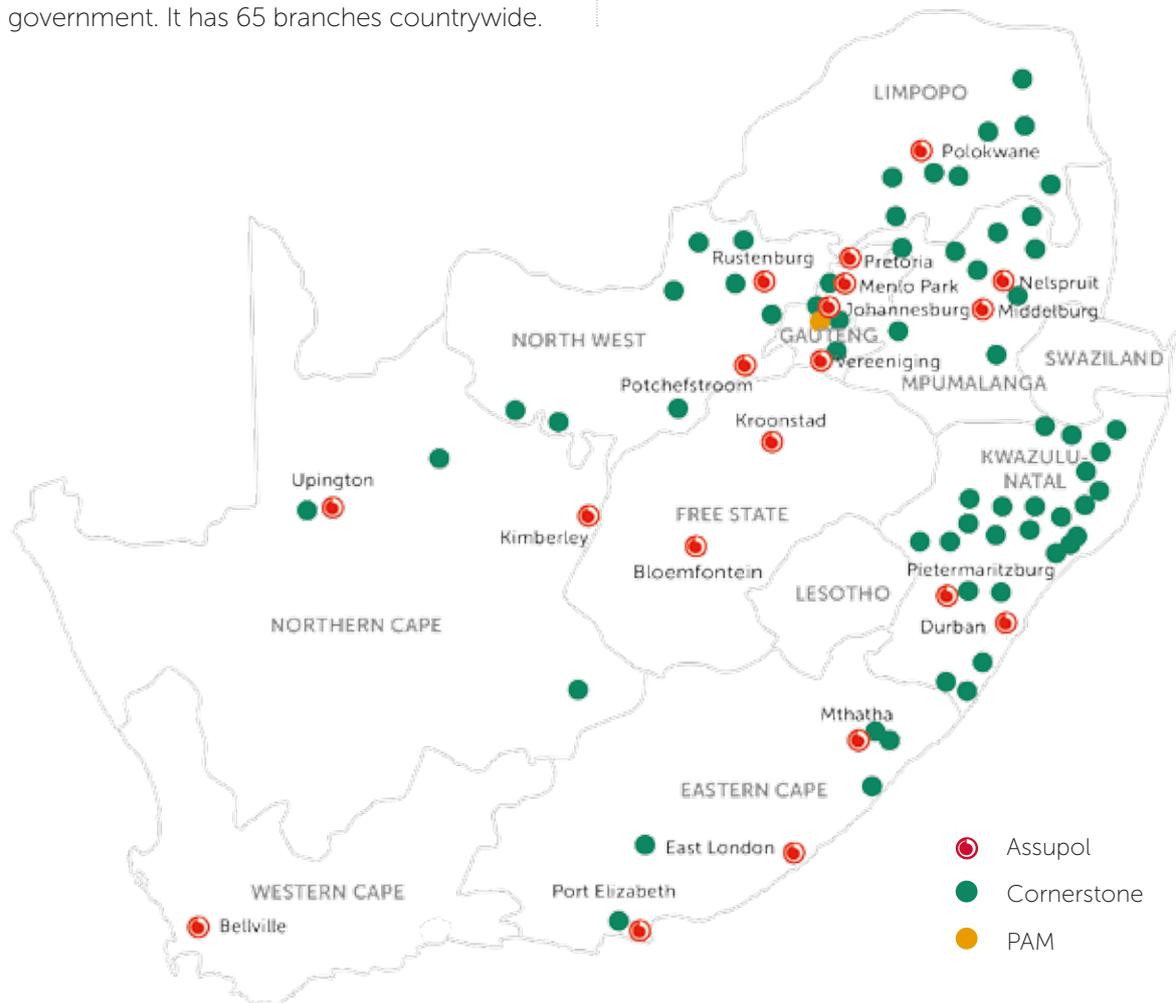
Cornerstone was established in 1995. It provides affordable funeral cover primarily to pensioners who receive a social grant from government. It has 65 branches countrywide.

### PAM

PAM is an asset manager established in 2001. PAM manages assets in excess of R5 billion on behalf of third-party clients such as pension funds, insurance companies and other corporates.

### Group Branch Network

Our group boasts a total of 71 offices in its branch network countrywide. We are present in each of the nine provinces in South Africa. The head offices of Assupol Holdings Limited and Cornerstone are situated in Pretoria while PAM is situated in Johannesburg.





## Products

### Long-term insurance: life and health

| Product                                | Funeral | Death and/or Disability | Critical illness or Dread Disease | Family income | Premium waiver | Cashback | Assupol On-Call | Rewards |
|----------------------------------------|---------|-------------------------|-----------------------------------|---------------|----------------|----------|-----------------|---------|
| Excellence Family Funeral Plan         | ●       | ●                       |                                   | ●             | ●              | ●        | ●               | ●       |
| Progress Legacy Plan                   | ●       | ●                       | ●                                 |               | ●              |          | ●               | ●       |
| Progress 4Sure Plan                    | ●       | ●                       | ●                                 |               |                | ●        | ●               | ●       |
| Progress Accident Plan                 |         | ●                       |                                   |               |                |          | ●               | ●       |
| Absolute Advantage Family Funeral Plan | ●       |                         |                                   | ●             | ●              | ●        | ●               |         |
| Pensioner Plan                         | ●       |                         |                                   |               |                |          |                 |         |
| Solutions Plan                         | ●       |                         |                                   |               |                |          |                 |         |

### Long-term insurance: savings and retirement annuities

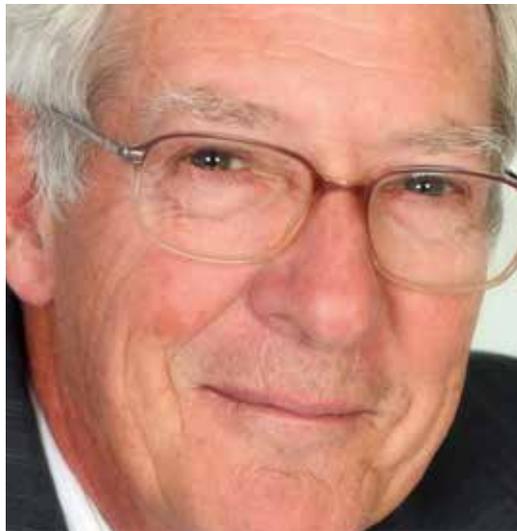
| Provider     | Product                                        | Life Cover | Regular withdrawals | Premium waiver | Rewards |
|--------------|------------------------------------------------|------------|---------------------|----------------|---------|
| Assupol Life | Maximumwealth Cash Provider – MyCash Option    |            | ●                   | ●              |         |
|              | Maximumwealth Cash Provider – Education Option | ●          | ●                   | ●              |         |
|              | Maximumwealth Exclusive Policy                 |            |                     | ●              |         |
|              | Carefree Life Retirement Annuity               |            |                     | ●              | ●       |

### Asset management and investment portfolios

| Provider     | Product                        |
|--------------|--------------------------------|
| PAM          | PAM Pure Bonds                 |
|              | PAM Money Market               |
|              | PAM Flexible Fund              |
|              | PAM Equity Carve Out           |
|              | PAM Income Hunter              |
| Assupol Life | Assupol Life High Equity Fund  |
|              | Assupol Life Balanced Fund     |
|              | Assupol Life Guaranteed Fund   |
|              | Assupol Life Money Market Fund |



WORDS FROM JAN JANSE VAN RENSBURG  
CHAIRMAN



*“*Ours is an organisation with a long and proud history of serving the people of South Africa.*”*



## Strong start to Assupol's second century

Having celebrated our centenary on 15 July 2013, the 2014 financial year marked the dawn of a new century and a new era for Assupol, underpinned by our successful demutualisation, the restructuring of our capital base, and the infusion of a dynamic new base of core shareholders.

From a mutual organisation with relatively humble beginnings, Assupol has entered this new era as a public company with an excellent foundation from which we can grow our services, our assets and our customers.

While some minor aspects and processes relating to our demutualisation still need to be completed, all of the major aspects have been successfully implemented, enabling us to fully leverage the opportunities available under our new structure.

The 2014 financial year reflected a strong operational and financial performance by our group against the backdrop of difficult economic conditions, labour unrest and ongoing pressure on consumers' disposable income. Negative economic growth was recorded in the first quarter of calendar 2014, coinciding with the five-month platinum industry strike, which impacted various aspects of the South African economy.

Despite the pressures faced by many policyholders in our target markets, we were able to improve on the previous year's performance. This was due, in no small part to the hard work and dedication of our management team and employees from across the country.

Although the South African economy is expected to grow at a sluggish rate of around 1.6% in calendar 2014, there are promising signs that the second half of the year will be an improvement on the first half, providing the momentum for a more robust 2015.

## Ongoing commitment to governance and compliance

As an organisation that has always been fully committed to adhering to corporate governance and compliance standards and requirements, we have strengthened even further our capacity and capability without negatively affecting our core operational efficiencies and performance.

Reflecting our commitment to compliance issues, our board now comprises the following committees headed by independent non-executive directors: Nomination Committee, Audit Committee, Remuneration Committee, Risk Committee, Investment Committee and Social and Ethics Committee.

With the Solvency Asset Management (SAM) legislation coming into effect from 1 January 2016, Assupol is already in a position to comply with its provisions, demonstrating our ability to react proactively to upcoming regulatory changes. Our systems are also being suitably prepared and equipped to handle other regulatory requirements expected to be rolled out in the near future.

Significantly, our Broad-Based Black Economic Empowerment profile, status and progress is constantly monitored with the Human Resources Director reporting on these issues to the Social and Ethics Committee.

Now that we are a fully-fledged public company, it is more important than ever for us to be able benchmark what we do so that we can be sure that our policies and procedures are in line with industry norms.



To this end, we have been through a comprehensive benchmarking and restructuring process with regards to the short-term and long-term incentive payments received by our executive directors and other senior management. After consulting remuneration experts, a new dispensation has been implemented to ensure that our policy is in line with the industry benchmark and that there is proper alignment between management and shareholders.

## Changes to the Board of Directors

It was my great privilege to be elected to the position of Chairman of the Board of Assupol Holdings Limited with effect from 30 September 2013. This followed my long association with the group, having been a non-executive director since 2003.

On behalf of my fellow directors, I would like to pay a special tribute to Karel Craemer for occupying the important role of Acting Chairman prior to my appointment. He served on the board for many years, during which time he provided valuable input and always had the best interests of Assupol at heart. We wish him well in his future endeavours.

With effect from 30 September 2013, we welcomed two new members to the board – Taurai Muranda and Riaan van Dyk – both of whom are already contributing meaningfully to board activities. Our board now comprises four executive directors and eight non-executive directors, five of whom are independent, which gives us a healthy balance. It is also hugely beneficial that there is board representation for our major strategic shareholders – the International Finance Corporation, Investec and the Women’s Development Bank – which are integral partners in the ongoing journey towards unlocking Assupol’s exciting potential.

Importantly for Assupol and its future, the board is made up of an excellent blend of skills, experience and knowledge. I am indebted to my fellow board members for the zeal they have shown in carrying out their responsibilities and the time, effort and dedication they have injected into their roles.

## Appreciation

It has been my honour to chair Assupol in its first year of its second century. Ours is an organisation with a long and proud history of serving the people of South Africa. My sincere thanks go to my fellow board members, the management and staff of Assupol, as well as each and every policyholder and shareholder. Your dedication and loyalty is greatly appreciated and ideally positions Assupol to look forward to a bright future that will benefit all stakeholders.

**Jan Janse van Rensburg**  
Chairman: Assupol Holdings



WORDS FROM RUDI SCHMIDT  
GROUP CEO



*“* We are proud to report that we exceeded our profit targets and achieved record earnings on both a sustainable basis and a published reporting basis.



The first year of our second century certainly turned out to be a highly rewarding and fruitful period, against the backdrop of a challenging economic environment and relatively difficult trading conditions in the markets that we choose to serve.

As a group, we are proud to report that we exceeded our profit targets and achieved record earnings on both a sustainable basis and a published reporting basis. Our strong results can be attributed to the combined effort of all our operating divisions with individual policy sales growing by 11%, operating costs being contained within the allowable expense ratios and positive returns realised in the investment markets.

In addition, management's decision to implement a review of our reinsurance modelling to bring our reserving more in line with best estimates saw a once-off release of capital, boosting our net profit after tax to a new record high. Going forward, our focus remains on our core business that delivers our sustainable earnings.

Our performance in the 2014 financial year was particularly commendable when one considers the pressures faced by consumers in our main markets – government employees and growing numbers of private sector individuals. Salary increases were restricted to single digits, while the inflation rate for many people eclipsed their rise in pay.

Demands on disposable income made it more difficult to sell policies and get premiums paid on a recurring basis. The five-month long platinum industry strike added to this challenge and did not only affect the Rustenburg area, but had a ripple effect throughout the country, with the impact still filtering through all sectors of the economy, including the unsecured lending space.

## Excellent financial results in a difficult economic environment

As I have already mentioned, our 2014 financial year saw us achieve record earnings from our core, sustainable business activities and also on a published reporting basis. From a sustainable earnings point of view, it is a strong endorsement of our business model, our dedicated employees and our efficient and effective systems, that we were able to show strong growth in a very tricky economic environment.

Assupol Life, which accounts for 98% of our overall business, produced an after-tax profit of R578 million for the year, an increase of 94% on the previous year. This was above our budgeted target and was enabled by a rise in individual policy sales and a focus on greater efficiencies and a reduction in costs wherever possible strong investment markets and the once-off release due to the modelling changes made to our reinsurance modelling.

For our group as a whole, net profit rose by 113% to R570.5 million. On a sustainable basis, our net earnings grew by an impressive 18% to R335 million and our return on investment (ROI) was a healthy 34%. Group Embedded Value increased by 32% to R2.24 billion and the capital adequacy cover increased to 272% from 197% in the previous year.

It is important to note that 2014's bumper net profit will not be repeated in 2015 due to the once-off release, but we are confident that core, sustainable earnings will continue to grow in line with our improved strategies for leveraging our products through expanding our distribution models.

## Over-the-counter trading proves highly successful

Shareholders will be aware that the company launched an over the counter (OTC) share trading platform in line with the terms of our demutualisation scheme at the end of



the 2013 financial year. The facility was well utilised during the year with 23 022 348 shares changing hands between July 1, 2013 and June 30, 2014.

Due to an initial overhang in the market, partly caused by some shareholders choosing the wrong option in our demutualisation exercise, the share price dropped from the opening level of R2.50 down to R1.00, but then stabilised as a proper supply/demand equilibrium was found. During the 2014 financial year, the price reached a high of R3.93 and the average daily trading was 92 832 shares. Excluding the effect of an employee share block trade in January 2014, the average daily trading was 65 535 shares.

While the OTC facility operates through Equity Express and has been a great success for the company and shareholders, the FSB has undertaken a review of OTC platforms in South Africa, and believes that they are operating as exchanges, rather than OTC platforms. Assupol has lodged a request for a 12 month exemption to consider alternatives to ensure that we remain able to provide the OTC facility mandated by the Demutualisation Court Order.

## Regulatory environment and changes

We continue to operate in an ever-changing and developing regulatory environment. Upcoming legislation that currently has the biggest impact on the Assupol Group is the proposed Solvency Assessment and Management (SAM) supervisory framework that the Financial Services Board (FSB) is implementing.

It is envisaged that the framework will be formally implemented with effect from 1 January 2016, through the issue of a new Insurance Act that will be a combination of the existing Long-term Insurance Act and the Short-term Insurance Act.

The SAM Framework is divided into three separate pillars (similar to the Basel framework):

- Pillar 1 consists of the quantitative requirements (for example, the amount of capital an insurer should hold).
- Pillar 2 sets out requirements for the governance and risk management of insurers, as well as for the effective supervision of insurers.
- Pillar 3 focuses on disclosure and transparency requirements.

We have participated in all three South African Quantitative Impact Studies that were conducted by the FSB, and have also submitted our first SAM return under the "light parallel" phase of the SAM implementation. As a result of our strong application of the King III principles, we have already implemented good governance structures as required by Pillar II. Our focus areas for Pillar II are the formal documentation of all required policies, as well as the development of an "Own Risk and Solvency Assessment" report (as required by SAM).

We have also completed all the returns issued by the FSB under Pillar III, and await the finalisation of the remaining outstanding returns.

Our SAM implementation efforts are coordinated by a SAM Steering Committee, and the progress thereof is also reported to the Board Risk Committee. Even though there are substantial costs and resources related to the implementation of the SAM legislation, we welcome it as it provides increased protection to policyholders and increased confidence on the part of our shareholders. In addition hereto, the industry is still waiting for clarity from the regulator on the Demarcation Regulations, the Microinsurance Regulatory Framework and the Retail Distribution Review.



## Continuing our growth focus

From a strategic point of view, we are confident that there is still significant growth potential in our core market to maintain healthy growth, but we are placing strong focus and emphasis on forming strategic partnerships and distribution relationships to increase our penetration and traction in these and other markets. By broadening our distribution base, we believe that there is room for us to accelerate our growth.

During the year, we disposed of Kestrel, our short-term insurance brokerage business. We believed that our capital and resources would be better invested into our core long term insurance operations. By exiting the Kestrel business, we have indicated that our future lies very much in our core life insurance products. Importantly, we will be able to utilise the Kestrel database as a distribution base for our long term products and we should see benefit from this in the 2015/16 year.

Pan-African Asset Management (PAM) reported a profit of R7.1 million (24.5% ahead of budget) for the year under review. The main drivers for the better than expected profits were due to the cost savings achieved as a result postponing the implementation of the growth strategy. Revenues were below expectations due to lower assets under management and lower than budgeted investment income.

During the year under review, PAM secured two new mandates both in excess of R100million. The investment performance of PAM remains solid across all portfolios and with its Level 1 BEE status, it is well positioned to grow its assets.

Cornerstone, our brokerage arm that distributes primarily group funeral products to people receiving pensioner grants, experienced a difficult year. The biggest challenge still remains the consistent collection of premiums via SASSA. Although we have seen a vast improvement from the previous year, the stability of the collections still remains a concern. During the past financial year, Cornerstone continued to show growth in a challenging market

with a year-on-year increase in revenue of 11.5% and profit growth of 12.1%. In addition, improvements in SASSA's premium collection facility and successful marketing efforts have contributed to growth of 5.1% in the total policy book on which premiums are received.

The company continued to manage its expenses in line with its approved budget and realised sales. During the 2014 financial year, the company also concentrated on improving the remuneration of its lower paid staff and expanding its distribution network in South Africa. This resulted in an above-inflation increase in expenses, but the company still managed to provide its shareholders with a return on equity of 20.1% (2013: 18.6%). Despite all the challenges, Cornerstone still outperformed its budget by 27%, reporting a net profit after tax of R7.9 million.

## The year ahead

The challenging conditions experienced during the 2014 financial year have definitely continued into the 2015 financial year, with consumers remaining under pressure with their costs rising faster than their incomes.

However, through emphasising our values of great customer service and quick and efficient claims settlement, we at Assupol are well-placed to grow our business in a highly competitive environment. Our brand is well recognised and has a strong reputation, backed up by products that meet our customers' needs and support systems that back up our sales and distribution activities. By delivering on our customer service and claims settlement promises, we differentiate Assupol in the market by ensuring that our customers can count on us in times of need.

As a result of our strong growth, we are now operating across a complex of six office buildings in Pretoria. We have recently commenced discussions to consolidate these into single premises, which will bring substantial efficiencies. Should these negotiations successfully conclude, we would expect to move into our new home in late 2016.



## Appreciation

There are many people who play a vital role in Assupol's success, most crucially our loyal customers who entrust us with their extremely important long term insurance requirements. It is an honour and a privilege for us to know that thousands of people place their trust in our services, our products and our delivery.

The Assupol staff deserve a huge vote of thanks for their dedicated efforts on behalf of the group and on behalf of customers. It is fantastic to see how staff members are also playing such a vital role in contributing to the Assupol Cares initiative which is making a big difference for many needy people in various communities.

My sincere thanks also go to the management team and to our board of directors who have provided excellent guidance, which will enable Assupol to continue growing and serving for many years to come.

**Rudolf F Schmidt**  
Group CEO



WORDS FROM BRIDGET MOKWENA-HALALA  
ASSUPOL LIFE CEO



*“* We are confident that with our innovative products, extensive distribution, exceptional customer service and dedicated staff, we are well positioned to continue growing and delivering on our promises.



## Financial Highlights

The 2014 financial year was challenging, yet extremely fulfilling in terms of our achievements. It was an exceptional year in the history of Assupol with profits for the first time exceeding the half a billion rand mark. The results reflect an increase of 93.9%, as compared to the 2013 financial year.

Assupol Life's net insurance premium revenue grew by 9% to R1.6 Billion. Net benefits and claims paid rose to R685 million and our capital adequacy ratio strengthened from 192% to 272%, which is commendable, considering that a dividend of R175 million was paid to Assupol Holdings during the year under review. The strict control of management of expenses produced expense savings, due to our continued efforts to drive efficiencies, resulting in a R50 million release from reserves. Sales of new individual policies grew by 11%, whilst we experienced a positive improvement in our group sales and profit margin. We earned excellent returns on our financial assets for a second year in a row, with an annual net return of 18.56%. Embedded value grew in excess of 25% and total assets grew by 26% to R3.7 billion.

## Expanding our growth footprint and product offering

Our main focus on *"Serving those who serve"* again proved beneficial in the 2013/2014 financial year and we were able to make further progress in our ongoing diversification strategy.

While our markets remained relatively unchanged with 60% of business sourced from our core markets, significant growth from a lower base was experienced in other markets. Our product mix remained relatively the same as in the previous financial year with funeral policies dominated the mix. However, an encouraging development was the 26% growth in sales of retirement annuity products, indicating encouraging support for our products as our clients take retirement planning more seriously.

## Tackling the future with confidence

The focus for 2015 and beyond is to continue diversifying our markets, products and distribution channels and to continue driving efficiencies.

### Market diversification

While we are doing well in our core markets, we need to broaden our reach in government departments and additional targeted markets. We will remain committed to our current markets, whilst extending our reach into these new markets.

### Product diversification

Our funeral products remain core to our clients. Innovative products and the recent product enhancement that we launched will ensure that we continue to grow. It is very evident from our sales statistics that as we expand our distribution, grow our brand and continue to invest in financial education, our clients will grow with us and diversify their insurance portfolios as their needs change.

Whilst this natural migration continues, we will continue to develop our innovative product range to ensure that the products we deliver into our selected markets remain relevant, affordable and innovative.

Product innovation is one of the areas where we have continued to dominate our market segment and we aim to maintain this position.

In July 2015, we launched our most innovative enhancement yet, under our On-Call Plus trademark. For a premium of R10 per life assured, existing and new policyholders can acquire this added benefit, which will pay R2,500 within an hour of receiving a valid claim to cover expenses - such as groceries, electricity and other requirements - that might be needed while awaiting the payment of funeral benefits to be paid within 48 hours. We are extremely proud of this product as it is the



first of this nature in the market. This product confirms our understanding of the market and the robust status of our administration platform.

### **Distribution diversification**

We are justifiably very proud of our own tied-agency sales force, because of their consistent performance. In the year under review, the team met and exceeded their targets, contributing 60% of total sales. We are also very grateful for the contributions made by our independent brokers as their support also made it possible for us to achieve exceptional results. Our vision is to grow at an accelerated rate, but for this to happen, we cannot only rely on traditional distribution channels. To this end, we are currently researching and evaluating alternative distribution channels and strategies that will be useful to our target markets and enable us to further leverage our services into our other chosen markets.

### **Driving operational efficiencies**

We have experienced the benefits of driving efficiencies and we will continue to do so into the future. The ultimate goal is to keep initial and renewal costs at a minimal level. Utilisation of technology as a business enabler and upskilling of personnel, including the sales force, is critical to our success. We have established regional training structures to support this strategy and we will continue to leverage from our strong administration platform to ensure that our competitive edge is maintained and even improved. During the year under review, 98% of claims were paid within 48 hours, of which 95% were paid within 24 hours.

## **Outlook**

There is no doubt that 2015 is likely to be a challenging year. Consumers will remain under pressure from the rising cost of living, limiting their disposable income. The challenges in the unsecured lending space will continue to have a ripple effect across financial markets and the outlook for the investment markets is flat at best. Nevertheless, we are confident that with

our innovative products, extensive distribution, exceptional customer service and dedicated staff, we are well positioned to continue growing and delivering on our promises. We are ready to tackle future challenges as we have done in the past. While there is no room for complacency, we have a strong foundation from which to continue growing our business and meeting the needs of “those who serve” and other customers in our selected target market.

**Bridget Mokwena-Halala**

Assupol Life CEO



## OUR LEADERSHIP

- BOARD OF DIRECTORS
- EXECUTIVE COMMITTEE



# OUR LEADERSHIP



## Board of Directors



### Executive

**RF Schmidt (51)**

Group CEO

- B.Com Accounting (Honours) Investment Management
- Assupol Life director since November 2000, and director of Assupol Holdings since January 2011

■ I

**D de Klerk (43)**

Group CFO

- CA (SA)
- Assupol Life director since July 2000, and director of Assupol Holdings since January 2011

■ I

**MB Mokwena-Halala (49)**

CEO: Assupol Life

- Master's Degree in Business Leadership
- Assupol Life director since July 2000, and director of Assupol Holdings since January 2011

■ I

**SL Ndwalaza (48)**

Executive director: Group HR

- MM(HR), Master's Degree in Business Administration
- Director of Assupol Holdings since September 2012

■ S

### Non-executive

**JA Janse van Rensburg (68)**

- BA LLB
- Assupol Life director since March 2003, and independent non-executive director of Assupol Holdings since January 2011

■ Rem, S

**I Greenstreet (55)**

- BSc (Hons), FCA
- Shareholder nominee, appointed in June 2013

■ N, A, Ri

#### Board committees

|            |                             |
|------------|-----------------------------|
| <b>A</b>   | Audit committee             |
| <b>I</b>   | Investment committee        |
| <b>N</b>   | Nomination committee        |
| <b>Rem</b> | Remuneration committee      |
| <b>Ri</b>  | Risk committee              |
| <b>S</b>   | Social and Ethics committee |



Board of Directors CONTINUED



Non-executive CONTINUED

**EDJ Ashkar (37)**

- CA (SA) & CA (Australia)
  - Shareholder nominee, appointed in February 2013
- I, N, S

**ILM Barnett (36)**

- BCom Honours (Finance)
  - Shareholder nominee, appointed in February 2013
- Ri

**AS Birrell (45)**

- B.Bus Sc (Hons), FASSA, FFA, ASA, CERA 2013
  - Shareholder nominee, appointed in May 2013
- A, Rem

**NE Gubb (42)**

- BComm, PDM (Bus Ad), HDip (Tax), CFA
  - Shareholder nominee, appointed in May 2013
- I, N

**T Muranda (49)**

- CA (SA)
  - Independent non-executive director appointed in September 2013
- A, I

**C van Dyk (48)**

- BSc (Actuarial Science) (cum laude), FASSA, FFA, ASA
  - Independent non-executive director appointed in September 2013
- I, Rem, Ri

**Board committees**

- A** Audit committee
- I** Investment committee
- N** Nomination committee
- Rem** Remuneration committee
- Ri** Risk committee
- S** Social and Ethics committee



## Executive Committee

The Executive Committee (Exco) is responsible for implementing, managing and monitoring the business affairs of the group (in line with board-approved plans, budgets, delegations and limits of authority), prioritising the allocation of capital and other resources, reviewing and approving acquisitions, disposals and investments, and establishing best management and operating practices.

It is also mandated, empowered and held accountable for implementing the strategies, business plans and policies as determined by the board. Our Exco members have extensive business experience within the industry and their particular fields of expertise.



### Executive Committee

**Rudolf Schmidt**  
Group CEO

**Bridget Mokwena-Halala**  
CEO: Assupol Life

**Gert Wessels**  
Executive: Group sales

**Niel de Klerk**  
Group CFO

**Siphiwe Ndwalaza**  
Executive director: Group HR

### Rudolf Schmidt

#### Group CEO

B.Com Accounting (Hons) Investment management

Rudi was a non-executive director of Assupol from 2000 to May 2010, when he was appointed Group CEO. He brought with him a wealth of experience gained as executive director at UAL Namibia Ltd, the SCMB asset-management senior management

team where he was responsible for the company's largest institutional clients and the Africa operations, and chief investment strategist at BoE Securities. Before accepting the appointment as Group CEO at Assupol in May 2010, he was managing director of SEI Investments (South Africa) Ltd where he also served on the global management team of SEI – a position he held for eight years. He is a member of the South African Institute of Chartered Accountants (Saica) and the Institute of Directors.



### **Bridget Mokwena-Halala**

#### **CEO: Assupol Life**

Masters in Business Leadership

Bridget has been with our group for 15 years. Before her permanent appointment at Assupol, she was employed by the South African Police Service as senior manager of human resource management. In February 1999, Bridget joined Assupol permanently and held various positions – national training manager, executive director human resource management and chief executive officer of Prosperity Life. She was appointed as chief executive officer: Assupol Life and executive director of Assupol Holdings in 2010. Other directorships she holds include Cornerstone Brokers Corporate (Pty) Limited as chairperson, and director at the Association of Savings and Investment South Africa (Asisa). She is also chairperson of the Financial Sector Charter Council and a member of the Institute of Directors.

### **Gert Wessels**

#### **Executive: Group sales**

N Dip State accounting and finances,  
BA Policing, B.Compt, Certificate in taxation

Gert has been with our group for more than 30 years. He held the position of CEO until July 2010, which he relinquished in the interest of a new succession plan which included the strategy alignment of Assupol Life following demutualisation. During his term as CEO, Gert led Assupol Life from a small niche insurer to a diversified insurance company with assets in excess of R2 billion. He is currently responsible for our group's sales strategy, and is chairman of the Assupol Retirement Fund. Other directorships he holds include Cornerstone and Blue Bulls Company. Gert is a member of the Institute of Directors.

### **Niel de Klerk**

#### **Group CFO**

CA (SA)

Niel has been with the Assupol group since 1998, and prior to joining Assupol he served his SAICA training contract at PriceWaterHouse for 3 years. Niel has acted as finance director at Assupol since 2000. In this role, he developed Assupol's financial department into an efficient asset through the development of structures, systems, policies, budget control and accounting procedures. He was instrumental in the development of in-house actuarial, investment management, and risk management capabilities, as well as the accreditation of Assupol as a SAICA training provider. Through this programme, finance students are guided and coached to be successful professionals in a highly specialised industry. He is a member of the South African Institute of Chartered Accountants (SAICA) and the Institute of Directors.

### **Siphiwe Ndwalaza**

#### **Executive director: Group HR**

MM(HR) MBA

Siphiwe joined Assupol in September 2011 to head up the human resources function, and to develop and implement our group's strategic HR roadmap. He was thereafter appointed onto the executive management team in April 2012. Before joining Assupol, he was managing executive: human resources at Neotel. A highly experienced HR practitioner over the past 20 years, Siphiwe has also held senior positions at several other organisations including Sentech, Sony South Africa, General Electric South Africa and Blue Ribbon Bakeries. He obtained a master's degree in business administration (MBA) from the University of the Witwatersrand's Graduate School of Business Administration. Siphiwe also graduated with a master's degree in human resources management (MM) and a postgraduate diploma in Management (PDM) from the Wits Business School. He is registered with South African Board for People Practice (SABP) and is a member of the Institute of Directors.



## OUR STAKEHOLDERS





# OUR STAKEHOLDERS

We broadly classify our various stakeholders into five categories

|              |                                                                                        |
|--------------|----------------------------------------------------------------------------------------|
| Shareholders | Corporate shareholders, staff, the Assupol Community Trust and individual shareholders |
| Clients      | All the various clients of our businesses                                              |
| Employees    | All the employees of the Assupol Group                                                 |
| Community    | The communities in which we operate our business                                       |
| Government   | Foremost the Financial Services Board and the South African Revenue Services           |

## Shareholders

### Demutualisation

The demutualisation scheme of Assupol Life enabled Assupol Holdings to approach institutional investors for the purpose of raising funds to redeem the qualifying members who did not elect to retain their shares.

The qualifying members were redeemed in February 2014, and the Assupol Members Trust is administering the redemption payments. During the 15 months since the initial redemption, just over 60% of qualifying members have been paid out.

|                                     | Shareholders   | Redeemed shares paid | Gross value paid (R)  | Net value paid (R) *  |
|-------------------------------------|----------------|----------------------|-----------------------|-----------------------|
| June 2013                           | 98 298         | 183 881 489          | 459 703 722.50        | 427 413 829.92        |
| June 2014                           | 38 557         | 54 670 505           | 136 676 262.50        | 130 615 057.01        |
| <b>Cumulative payments effected</b> | <b>136 855</b> | <b>238 551 994</b>   | <b>596 379 985.00</b> | <b>558 028 886.93</b> |
| Unpaid @ 30 June 2014               | 88 466         | 114 873 671          |                       |                       |

\* Net payment is gross payment, plus interest, less dividend withholding tax and payment costs.

### Restructuring of capital and shareholder base

The demutualisation scheme involved a capital raising exercise in order to fund the redemption of preference shareholders. This capital raising

exercise was completed during the 2013 financial year. The shareholding as at 30 June 2014 is stratified as follows:

| Name                                                | Category      | Director appointment rights | Shares             | % holding |
|-----------------------------------------------------|---------------|-----------------------------|--------------------|-----------|
| Investec                                            | Corporate     | 3                           | 125 000 000        | 30.2%     |
| International Finance Corporation                   | Corporate     | 2 *                         | 82 711 565         | 20.0%     |
| WDB Investment Holdings (restricted)                | Corporate     | 1                           | 44 202 985         | 10.7%     |
| Assupol Community Trust                             | CSI           |                             | 25 200 000         | 6.1%      |
| Staff incentives & restraint of trades (restricted) | Employee      |                             | 87 830 205         | 21.2%     |
| WDB Investment Holdings (unrestricted)              | Free float    |                             | 2 240 741          | 0.5%      |
| Other shares (unrestricted)                         | Free float ** |                             | 46 482 780         | 11.3%     |
|                                                     |               |                             | <b>413 668 276</b> |           |

\* The IFC has only exercised one appointment right.

\*\* These shares include some held by staff, and are unrestricted.



## Trading shares OTC

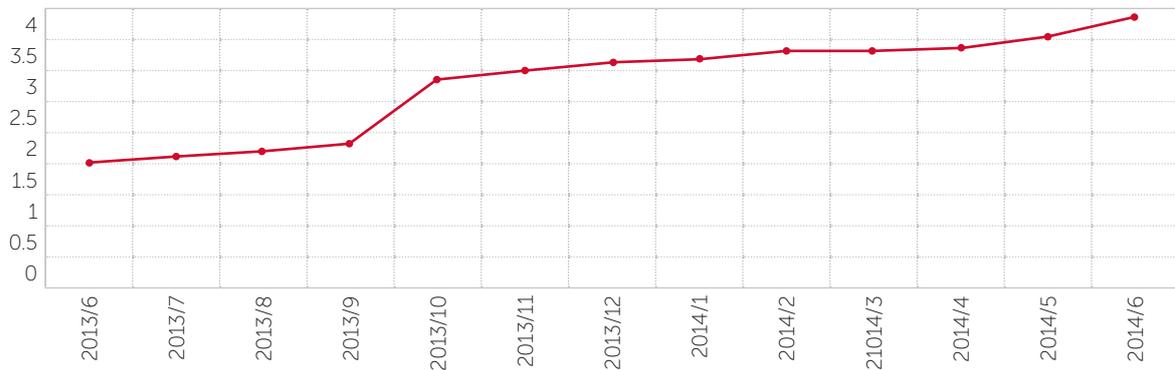
On 20 June 2013, trading in Assupol shares became available over-the-counter on [assupolshares.co.za](http://assupolshares.co.za). Shareholders can trade shares either via the website or via the call center. A registration process needs to be followed by potential shareholders. Shares cannot be bought on credit, and therefore the settlement risk is greatly negated for sellers.

After an initial overhang, the share price has continued to rise during the financial year, and closed at R3.50 on 30 June 2014.

The graph below depicts the "volume weighted average price" for each month up to June 2014. It is essentially the average price at which the share traded at during each specific month.

| Month   | Volume    | Value      | VWAP   |
|---------|-----------|------------|--------|
| 2013/6  | 1 368 876 | 2 317 798  | 1.6932 |
| 2013/7  | 3 604 489 | 6 189 939  | 1.7173 |
| 2013/8  | 1 970 846 | 3 586 073  | 1.8196 |
| 2013/9  | 1 169 437 | 2 298 750  | 1.9657 |
| 2013/10 | 1 159 333 | 2 919 018  | 2.5178 |
| 2013/11 | 1 393 069 | 3 641 432  | 2.6140 |
| 2013/12 | 391 712   | 1 046 489  | 2.6716 |
| 2014/1  | 9 185 675 | 24 867 056 | 2.7072 |
| 2014/2  | 1 157 017 | 3 430 931  | 2.9653 |
| 2014/3  | 506 552   | 1 498 879  | 2.9590 |
| 2014/4  | 562 224   | 1 682 145  | 2.9919 |
| 2014/5  | 642 021   | 2 028 371  | 3.1594 |
| 2014/6  | 1 279 973 | 4 469 992  | 3.4923 |

## Monthly VWAP



## Maiden dividend declaration

On 30 September 2014, following the approval of the Annual Financial Statements for the year ended 30 June 2014, the Board of directors of Assupol Holdings Limited declared an ordinary dividend of 30 cents per share, and a special dividend of 48 cents per share. Dividend withholding tax at a rate of 15% applies to most of our shareholders.

This dividend declaration was the maiden dividend of Assupol Holdings Limited, and represents our maturity as a fully-fledged corporate with both income and capital returns for our shareholders.

## Clients

### Repositioning the Assupol brand

Part of the reinforcement of a brand is through the use of a successful brand ambassador programme, and Assupol has since 2012 appointed the legendary musician Hugh Masekela as brand ambassador. He serves as an extension of the Assupol brand's vision and values. Hugh is very passionate about the people of South Africa and our heritage – in the same way as Assupol is. We have a 100 year old history of serving the hard-working people of South Africa and we saw a good blending of values between the two great brands. He also endorses the Company's core value of 'serving those who serve' – he does it



through his music, whereas we do it through the key financial services we provide to society. Although his music and brand appeals to a wide variety of the market, his stance on heritage and its preservation has allowed Assupol the opportunity to combine the two brands through a not-for-profit annual Hugh Masekela Heritage Festival. In the past year, considerable efforts have been made to align the two brands and maximise on the contribution of an ambassador through various print and TV advertisement campaigns.

### Website refurbishment

In July 2014 a new website was launched at [assupol.co.za](http://assupol.co.za). The website is an interactive platform that provides easy navigation and updated information on our complete range of products and services. Its aim is to communicate with all our stakeholders, and assist particularly our clients, brokers and intermediaries to make well-informed decisions about their financial needs and goals. The refurbished site is a high-tech responsive site compatible with today's browsers and mobile devices. It features several new elements, including a quick funeral policy quote, branch locator, a "call-me-back" service, testimonials, and the latest advertising campaigns – all aimed at optimizing the client experience. It is modern and easy-to-use, and successfully strengthens our brand position.

### Branch refurbishment & accessibility

Branch refurbishments have continued steadily throughout the country in the year under review. Accessibility, aesthetics and service have remained a priority, and it is our aim that as a point of contact for our clients, the branches remain a place where quality service and a quality experience can be provided.

### Product development

We are continuously looking for ways to improve our product offering, and engage with clients in order to provide what will serve the

needs of our market better. To this end, we have undergone several enhancements to our Assupol Life products during the year. These enhancements were made to our funeral, life and savings products. A notable feature implemented, was Express underwriting™, which streamlines the underwriting process for our Legacy life plan. It is important to note that we are flexible to roll-out new products, and the process from inception to roll-out can take place within 90 days. Also during the year, we have updated all application forms to plain English language in order to meet TCF outcomes.

### Treating Customers Fairly (TCF)

The TCF Roadmap suggested 1 January 2014 as an effective date for TCF implementation. This date was initially based on a view that most of the groundwork in creating TCF awareness and communicating the FSB's expectations would have been achieved. The expectation was also that some specific legislative provisions would be in place. Some of the timelines in the Roadmap have shifted, largely due to the alignment with the evolving Twin Peaks framework. The FSB's message for some months is that there is not going to be a once-off TCF implementation date. Instead, the FSB is in the process of introducing TCF into both our regulatory and supervisory frameworks on a gradual, incremental basis. The FSB has re-named this unit the "FSB Market Conduct Strategy unit".

At Assupol, however, the integration of TCF has been an ongoing drive. We conducted an internal re-assessment of the 2013 FSB questionnaire. Statements indicating unsatisfactory implementation were identified and allocated to functional ownership. These outcome owners are all Executive Managers.

General TCF awareness was promoted through surveys and discussions with all levels of staff throughout all Assupol branches. The TCF Ambassador campaign was put forward with another internal competition. Departmental teams had to illustrate how their functions deliver on the six TCF outcomes to their



specific clients. Furthermore, each department will take part in a quiz to reinforce awareness and shape our culture. The TCF Ambassador Awards will again be incorporated.

We have found that a decentralised approach of embedding TCF in our business processes is effective. Our approach is outlined below:

- The Assupol Board is responsible for strategic plans that will include TCF deliverables.
- Executive management has ownership for identified outcomes and is responsible for setting clear, enforceable policies and encompass fair treatment. Action plans to rectify statements that are not up to standard have been formulated and implemented. Target dates are regularly monitored, quarterly feedback is reviewed.
- Managers and supervisors are responsible for enforcing systems and procedures. Ideally business process manuals should be updated to include TCF principles and guidelines on how they should be applied.
- Employees must take these principles and guidelines and demonstrate them at ground level ensuring that all client-contact is conducted according to our company value: to treat our clients fairly.

TCF remains top of mind for our management. Improving organisational culture is an ongoing journey requiring continuous effort. We hope to continue the TCF Ambassador campaign through exciting new initiatives in 2015.

## Employees and representatives

### Employee Assistance and Wellness Program

An estimated 105 employees participated in an employee wellness event held during the year. Employees enjoyed a fun-filled day of activities including assessments of Blood Pressure, Glucose, Body Mass Index and Cholesterol levels by Discovery Health.

Assupol provides an Employee Assistance Programme through Careways. This Employee Assistance programme has registered clinical, legal and financial professionals to assist Assupol employees, their immediate family members and dependants on a 24-hour basis, seven days a week, and treat their matters with the utmost confidentiality.

Careways is based on four pillars:

- Physical Wellness
- Emotional Wellness
- Legal Wellness
- Financial Wellness

In line with Assupol's vision of becoming an employer of choice, the employee wellness and assistance programme lays the foundation by creating a healthy working environment and extends this to our employees' personal lives to promote happy, confident individuals who are motivated and work more effectively and efficiently.

### Developing our workforce

We support and encourage the development of our employees and representatives. A skilled and engaged workforce provides the platform for good business. When new employees start with us, we take them through an orientation program to help them feel welcome and to enable them to contribute more quickly to the business.

Employee training interventions include:

- Soft skills: time management, assertiveness, business ethics, report writing
- Technical: products, processes, sales, MS office, health and safety, legislation
- Management: leadership, coaching, management

Assupol offers learnerships in insurance on NQF 3 and 4 levels with the assistance of external providers. We also offer credit-bearing insurance skills programmes on NQF 2.



We provide internships to graduates. Currently, we have seven interns with qualifications in BCom Informatics, BCom Statistics, BCom Marketing Management, BCom Law and LLB, BCom Accounting, BCom Management, BSC Actuarial and Financial Mathematics. Three interns have applied for permanent positions.

We have also partnered with the University of Stellenbosch Business School. Together we provide Management Development Programmes (MDP) to our management. Lastly, we have a study assistance programme through which employees can study towards a national qualification with a recognised tertiary institution.

### **Actuarial programme**

Assupol is a registered actuarial training office with the Actuarial Society of South Africa. As we want to be a competitive employer of actuarial skills, we assist these employees with their actuarial studies. This support includes funds for study material and exams, study leave as well as salary increases as they progress through the exams.

From having just one actuarial student working at Assupol in 2008, we currently have two qualified actuaries and seven students. Our students are making good progress and we have a good pass record in the exams that are written twice a year.

### **SAICA (South African Institute of Chartered Accountants)**

To become a chartered accountant (SA), a candidate must, apart from the academic and industry examinations, successfully complete the SAICA training programme. We contribute to this professional qualification that is highly regarded, not only in South Africa, but also internationally. Since we became an approved training provider, we have had three trainees that have become CA (SA)'s and six trainees who have successfully completed their training. We currently have three trainees who are busy completing their training through our programme.

### **Employee Engagement Survey**

This survey was conducted during the year, involving (530) employees. A response rate of 78% was achieved and the overall engagement score for the Assupol group was 74%. This puts the Assupol group in the top companies' grouping with a score of between 65% and 85%.

Assupol's engagement score improved from 69% to 74% between 2012 and 2014. The engagement questions were improved and increased to 64 questions, comprising 14 element scores. Our highest scoring areas are effort and retention, strategy, personal growth and brand affinity. We could improve on reward, recognition and retention.

### **Best Company to Work for Survey**

Assupol Group participated for the first time in Deloitte's Best Company to Work for Survey. The sample testings were sent to 250 employees via email and post. The participation rate was 93.20%.

### **Transformation**

Considerable progress has been achieved regarding the transformation of the company for the year under review. The composition of African, Indian and Coloured (AIC) employees has increased from 65% to 71% of the overall workforce. Owing to low turnover in Senior Management positions, progress at this level has been slow. However, we remain committed to transforming this level of our employees as well.

### **Retention**

Recently, we introduced the Assupol Recognition Programme as a tool for employee recognition with the aim of attracting, retaining and motivating people with the ability, experience and skill to successfully implement business strategy; incentivising employees to deliver consistent performance in line with strategic goals and risk tolerances and rewarding success appropriately.



## Occupational Health and Safety

The role of the health and safety representatives is to advise and inform employees of safety procedures and policies, conduct inspections and emergency evacuations.

Assupol OHS officials received the following training:

- Evacuation Wardens
- First Aiders
- Fire Marshals
- SHE representatives

We have 123 trained OHS officials and it is projected that during 2014/2015 an additional 18 employees will be trained.

## Communities

### Assupol Cares

As a highly committed and involved corporate citizen, we have decided to house the three legs of our community and corporate social investment activities under the over-arching "Assupol Cares" umbrella. This includes the Assupol Community Trust, the Assupol Cares Employee Initiative and our group's targeted CSI projects.

### The Assupol Community Trust

Initiated as a direct result of our successful demutualisation process, the Assupol Community Trust was established to make a meaningful contribution to society and the communities in which we are represented.

Importantly, it was decided that the trust needed to have a specific focus to maximise its impact. The focus area that has been chosen is Early Childhood Development (ECD), certainly one of the most vital areas of need in our country.

Hugely significant for the trust is that it has eventually been awarded Public Benefit Organisation (PBO) status which will now enable it to really make a difference. The trust

owns 25.2 million Assupol shares which were allocated to it as part of the demutualisation. The dividends from these shares, which will start to flow in the last quarter of 2014, will enable the trust to fund its ECD interventions. Five new trustees have been appointed and they will oversee the trust's operations.

We are excited about the role that the trust will play in improving prospects for children, who are the adults of tomorrow.

### Assupol Cares Employees Initiative

Begun in 2011, this initiative demonstrates the genuine compassion and strong spirit of "Ubuntu" that exists within Assupol. The great thing is that not only do employees provide the funds, they also oversee the entire initiative, from receiving requests for assistance to deciding on which applicants to benefit, to appointing project managers to manage selected projects. A committee meets once a month to evaluate applications and make financial allocations.

Funded, managed and monitored by Assupol staff – with a matching financial contribution from Assupol head office every six months – this initiative has a broad focus and benefits worthy recipients in communities located in various parts of South Africa. Ideally, Assupol branches across the provinces will become involved in finding suitable beneficiaries in their local communities.

Complementing the financial contributions made by our employees is the generous time and effort they put into making their projects so worthwhile and successful.

### Corporate social investment projects

Over the past few years, our major CSI projects have been focused on Mandela Day, the Nellmapius soup kitchen and the Kingdom Life Children's Centre. The emphasis has been on assisting young people, but adults have also benefited. While we fully support the concept of giving 67 minutes back to society in recognition of what Nelson Mandela did for our



## OUR STAKEHOLDERS CONTINUED

country, we continue to ensure that we do a lot more than this through our regular financial and staff volunteering assistance at the Nellmapius soup kitchen and the Kingdom Life Children's Centre, both of which do extremely valuable work in the Pretoria area.

Going forward, our aim is to establish a clearly defined CSI policy that will incorporate critical elements such as sustainability and resilience with the emphasis on helping people to help themselves. In addition, we also want to broaden the geographic scope of our CSI footprint to include our regional branches and selected rural areas that are in urgent need of assistance.

### Sponsorship

During the 2014 financial year, we continued our sponsorship focus on mainly benefiting grassroots sports development, investing more than R2.3 million in this important area with some excellent results.

While it occurred at the beginning of the current financial year, a major highlight was Tuks Cricket, which we have sponsored for more than a decade. Not only did the team go to the UK to participate in the World Campus Cricket Championships, they came home at the end of July with the title of world champions. This was an excellent achievement with which we are extremely proud to be associated. At home, they also won the Northern League and the National League, gaining us some further exposure for our sponsorship.

In rugby, we continued to make a big difference with our annual sponsorship of the Blue Bulls. This assisted the Blue Bulls organisation to benefit the Limpopo Vodacom team, the Limpopo Under 19 and Under 21 teams, the Blue Bulls and Limpopo country districts development efforts, the Blue Bulls and

Limpopo women's and Under 16 and Under 18 girls' rugby team, the Blue Bulls men's and ladies' sevens' teams, as well as Blue Bulls and Limpopo amateur rugby. In addition to this, a significant investment was made into the Assupol Super Series for clubs and donations were also made to benefit the Blue Bulls Primary Schools Rugby Day and a Pretoria Correctional Services rugby event.

Other sponsorships during the year included benefiting the Correctional Services Athletics Day and making a contribution to the Correctional Services Excellence Awards. Contributions were also made to various golf days.

Around 30% of our sponsorship was invested in sporting and training events associated with the South African Police Service, which is still one of Assupol's biggest customer bases. Our sporting contributions to SAPS were directed at the annual netball championships, as well as Pretoria police rugby and cricket. We were also a diamond sponsor of the 51st International Association of Women Police Training Conference held in Durban. Assupol Life participated in the 10th Anniversary Top Women Awards as an official sponsor of the Business Women of the Year Award category. The awards recognised some of our country's best gender empowered organisations within the private and public sectors.

Overall, we can look back on a highly successful sponsorship year that has laid the foundation for another impactful year ahead.

### Government

#### Compliance with relevant financial services legislation

Assupol has a good relationship with the Financial Services Board. We have engaged extensively with the regulator as a result of our demutualisation process, and our compliance efforts are aimed at full compliance with all relevant legislation.



# CORPORATE GOVERNANCE





## King III

As the custodian of the interests of our stakeholders, our Board of directors is committed to the highest standards of corporate governance. As such, it subscribes to the principles of the third report on Corporate Governance in South Africa (King III), which came into effect on 1 March 2010.

We believe that most of the King III principles are already entrenched in our processes, policies and procedures. We are committed to implementing King III throughout our group, unless the full implementation is not necessarily in the best interests of our stakeholders taking into account the market positioning of the group.

Assupol utilises the Governance Assessment Instrument (GAI) from the Institute of Directors as the due process by which assurance is provided that every recommended practice in King III has been considered. Practices are either applied or not applied; the latter carrying an explanation of a compensating practice, or alternatively the reason for non-application. The latest internal assessment was carried out in June 2013. We achieved a "AA-rating" (high application) in the application of the principles of King III.

The GAI tool confirms the extent of the Principles application by way of a rating as follows:

|     |                            |
|-----|----------------------------|
| AAA | Highest application        |
| AA  | High application           |
| BB  | Notable application        |
| B   | Moderate application       |
| C   | Application to be improved |
| L   | Low application            |

Our next internal assessment is scheduled for March 2015. Afterwards, reports will be made available to the Audit Committee and the Board for review and independent assurance purposes.

## Board of Directors

### Board composition

As at 30 June 2014, the Board membership of both Assupol Holdings Limited and Assupol Life Limited consisted of the same directors.

The responsibility of the Assupol Life Board is limited to the operations of Assupol Life, whereas the Assupol Holdings Board focuses more on the strategy of the Assupol group as a whole, including specifically accounting policies, financial results, dividend policy, human resource development, corporate governance, sales performance and interactions with stakeholders and institutional investors.

Our Board currently has 8 non-executive directors, and 4 executive directors (as appointed by the full Board). The non-executive directors are appointed through a formal process and the Nomination Committee identifies suitable candidates to be proposed to the shareholders. Non-executive directors retire on a rotational basis, but can be available for re-election. Remuneration paid to non-executive directors is in terms of a special resolution of shareholders at the AGM, as required by the Companies Act, 2008. The executive directors of Assupol have concluded fixed term employment agreements with Assupol.



## Meeting attendance

The table below records the attendance of directors at Board and Board Committee meetings held during the year.

|                       | B         |           |           |            |           |           | A         |           |            |           | Ri        |           |           | I         |           |           |            | Rem       |           |            |           | N         |           |          |          | S         |           |          |           |   |   |  |
|-----------------------|-----------|-----------|-----------|------------|-----------|-----------|-----------|-----------|------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|-----------|-----------|------------|-----------|-----------|-----------|----------|----------|-----------|-----------|----------|-----------|---|---|--|
|                       | 8/22/2013 | 9/25/2013 | 9/30/2013 | 11/21/2013 | 2/25/2014 | 5/27/2014 | 6/30/2014 | 9/25/2013 | 10/28/2013 | 2/24/2014 | 5/26/2014 | 7/25/2013 | 11/7/2013 | 2/11/2014 | 5/13/2014 | 8/27/2013 | 11/26/2013 | 2/18/2014 | 5/21/2014 | 11/21/2013 | 1/21/2014 | 3/19/2014 | 5/26/2014 | 8/7/2013 | 9/4/2013 | 1/22/2014 | 4/14/2014 | 2/6/2014 | 5/22/2014 |   |   |  |
| <b>Executive</b>      |           |           |           |            |           |           |           |           |            |           |           |           |           |           |           |           |            |           |           |            |           |           |           |          |          |           |           |          |           |   |   |  |
| De Klerk, D           |           |           |           |            |           |           |           |           |            |           |           |           |           |           |           |           |            |           |           |            |           |           |           |          |          |           |           |          |           |   |   |  |
| Mokwena-Halala, MB    |           |           |           |            |           |           |           |           |            |           |           |           |           |           |           |           |            |           |           |            |           |           |           |          |          |           |           |          |           |   |   |  |
| Ndwalaza, SL          |           |           |           |            |           |           |           |           |            |           |           |           |           |           |           |           |            |           |           |            |           |           |           |          |          |           |           |          |           |   |   |  |
| Schmidt, RF           |           |           |           |            |           |           |           |           |            |           |           |           |           |           |           |           |            |           |           |            |           |           |           |          |          |           |           |          |           |   |   |  |
| <b>Non-executive</b>  |           |           |           |            |           |           |           |           |            |           |           |           |           |           |           |           |            |           |           |            |           |           |           |          |          |           |           |          |           |   |   |  |
| Ashkar, EDJ           |           |           |           |            |           |           |           |           |            |           |           |           |           |           |           |           |            |           |           |            |           |           |           |          |          |           | C         | C        | C         | C |   |  |
| Barnett, ILM          |           |           |           |            |           |           |           |           |            |           |           |           |           |           |           |           |            |           |           |            |           |           |           |          |          |           |           |          |           |   |   |  |
| Birrel, AS            |           |           |           |            |           |           |           |           |            |           |           |           |           |           |           |           |            |           |           |            |           |           |           |          |          |           |           |          |           |   |   |  |
| Craemer, KC           | 1         | C         | C         |            |           |           | C         |           |            |           |           |           |           |           |           |           |            |           |           |            |           |           |           |          |          |           |           |          |           |   |   |  |
| Els, AR               | 2         |           |           |            |           |           |           |           |            |           |           |           |           |           |           |           |            |           |           |            |           |           |           |          |          |           |           |          |           |   |   |  |
| Greenstreet, I        |           |           |           |            |           |           |           |           |            |           |           |           |           |           |           |           |            |           |           |            |           |           |           |          |          |           |           |          |           |   |   |  |
| Gubb, NE              |           |           |           |            |           |           |           |           |            |           |           |           |           |           |           |           |            |           |           |            |           |           |           |          |          |           |           |          |           |   |   |  |
| Janse van Rensburg, J |           |           |           | C          | C         | C         | C         | C         |            |           |           |           |           |           |           |           |            |           |           |            |           |           |           |          |          |           |           |          |           | C | C |  |
| Muranda, T            | 3         |           |           |            |           |           |           | C         | C          | C         |           |           |           |           |           |           |            |           |           |            |           |           |           |          |          |           |           |          |           |   |   |  |
| van Dyk, R            | 4         |           |           |            |           |           |           |           |            |           |           |           |           |           |           |           |            |           |           |            |           |           |           |          |          |           |           |          |           |   |   |  |

|   |                              |
|---|------------------------------|
| C | Chairman of the meeting      |
|   | Attended meeting             |
|   | Did not attend meeting       |
|   | Attended as invitee          |
|   | Resigned / Not yet appointed |
|   | Not relevant                 |

### Board committees

|     |                               |
|-----|-------------------------------|
| A   | = Audit committee             |
| I   | = Investment committee        |
| N   | = Nomination committee        |
| Rem | = Remuneration committee      |
| Ri  | = Risk committee              |
| S   | = Social and Ethics committee |

1 = Resigned on 30 September 2013

2 = Resigned on 18 September 2013

3 = Appointed 30 September 2014

4 = Appointed 30 September 2014



## Independence of non-executive directors & Board effectiveness evaluation

As 6 of the 8 non-executive directors have been appointed in the past two years, there was considerable change in the composition of the Board and the Board Committees. As a result, we did not do assessments of the independence of non-executive directors and evaluations of the effectiveness of the board and its various committees during this year.

## Role of the Board

Our board embraces the Code of Practices and Corporate Conduct in the King III Report, which deals with corporate governance guidelines and recommendations. The charter of our Board has been modelled on the principles of sound corporate governance, recommended by King III. It sets out the role and responsibilities of the board, namely to:

- act as the focal point for, and custodian of, corporate governance by managing its relationship with management, the shareholders and other stakeholders of the Company along sound corporate governance principles;
- appreciate that strategy, risk, performance and sustainability are inseparable and to give effect to this by:
  - contributing to and approving the strategy;
  - satisfying itself that the strategy and business plans do not give rise to risks that have not been thoroughly assessed by management;
  - identifying key performance and risk areas;
  - ensuring that the strategy will result in sustainable outcomes;
  - considering sustainability as a business opportunity that guides strategy formulation;
- provide effective leadership on an ethical foundation;
- ensure that the Company is and is seen to be a responsible corporate citizen by having regard to not only the financial aspects of the business of the Company but also the impact that business operations have on the environment and the society within which it operates;
- ensure that the Company's ethics are managed effectively;
- ensure that the Company has an effective and independent audit committee;
- be responsible for the governance of risk;
- be responsible for information technology (IT) governance;
- ensure that the Company complies with applicable laws and considers adherence to non-binding rules and standards;
- ensure that there is an effective risk-based internal audit;
- appreciate that stakeholder's perceptions affect the Company's reputation;
- ensure the integrity of the Company's integrated report;
- act in the best interests of the Company by ensuring that individual directors:
  - adhere to legal standards of conduct;
  - are permitted to take independent advice in connection with their duties following an agreed procedure;
  - disclose real or perceived conflicts to the board and deal with them accordingly;
  - deal in securities only in accordance with the policy adopted by the board;
- commence business rescue proceedings as soon as the Company is financially distressed;
- elect a chairman of the board that is an independent non-executive director;
- appoint and evaluate the performance of the chief executive officer.



## Committees of the Board

Our board has established committees with specific responsibilities. They assist the board in discharging its duties and responsibilities. Ultimate responsibility resides in the board and, as such, it does not abdicate any of its responsibilities to the committees. The committees do not assume the functions of management, which remain the responsibility of the executive directors, officers and other members of senior management.

Assupol Holdings Limited has the following Board committees that oversee the activities of the entire Assupol Group:

- Audit
- Risk
- Investment
- Remuneration
- Nomination
- Social and Ethics

In the tables below, we show summarised information about the various Board committees as at 30 June 2014.

### Audit Committee

|                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|-----------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Membership                  | T Muranda (Chairperson)<br>AS Birrell<br>I Greenstreet                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Invitees                    | Executive directors<br>Other members of senior management as may be required<br>Company Secretary<br>Internal and External Auditors<br>Statutory Actuary                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Role and function (broadly) | The Committee has the following duties: <ul style="list-style-type: none"> <li>• statutory duties as prescribed in section 94(7) of the Companies Act (2008);</li> <li>• additional duties over and above the statutory duties, such as: <ul style="list-style-type: none"> <li>○ oversight of integrated reporting;</li> <li>○ combined assurance;</li> <li>○ evaluation of the finance function;</li> <li>○ oversight of internal audit function;</li> <li>○ oversight of external audit function; and</li> <li>○ oversight of risk management as it pertains to financial reporting</li> </ul> </li> </ul> |



## Risk Committee

|                             |                                                                                                                                                                                                                                                                                                                                                                  |
|-----------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Membership                  | R van Dyk (Chairperson)<br>I Greenstreet<br>ILM Barnett                                                                                                                                                                                                                                                                                                          |
| Invitees                    | Executive directors<br>Risk Manager<br>Company Secretary<br>Internal and External Auditors                                                                                                                                                                                                                                                                       |
| Role and function (broadly) | The role of the Committee is to assist the board to ensure that:- <ul style="list-style-type: none"><li>• the Company has implemented an effective policy and plan for risk management that will enhance the Company's ability to achieve its strategic objectives; and</li><li>• the disclosure regarding risk is comprehensive, timely and relevant.</li></ul> |

## Investment Committee

|                             |                                                                                                                                                                                                                                                                                                                                                                                                               |
|-----------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Membership                  | T Muranda (Chairperson)<br>EDJ Ashkar<br>D de Klerk<br>NE Gubb<br>RF Schmidt<br>MB Mokwena-Halala<br>CJ van Dyk                                                                                                                                                                                                                                                                                               |
| Invitees                    | Asset management specialists                                                                                                                                                                                                                                                                                                                                                                                  |
| Role and function (broadly) | The role of the committee is to generally oversee the investment of assets by the Assupol Group, including but not limited to:- <ul style="list-style-type: none"><li>• the review of investment objectives, philosophy and strategy;</li><li>• the formulation of strategies relating to the allocation of assets; and</li><li>• the oversight of asset managers and the asset management process.</li></ul> |

## Remuneration Committee

|                             |                                                                                                                                                                                                                                                                                                                                                                                                          |
|-----------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Membership                  | CJ van Dyk (Chairman)<br>AS Birrell<br>JA Janse van Rensburg                                                                                                                                                                                                                                                                                                                                             |
| Invitees                    | Group CEO<br>HR Executive                                                                                                                                                                                                                                                                                                                                                                                |
| Role and function (broadly) | The role of the Committee is to: <ul style="list-style-type: none"><li>• consider and determine the remuneration policy of all employees of the Assupol Group; and</li><li>• consider and recommend to shareholders the remuneration paid to non-executive directors; and</li><li>• ensure that the disclosure of director information and remuneration is accurate, complete and transparent.</li></ul> |



## Nomination Committee

|                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|-----------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Membership                  | EDJ Ashkar (Chairperson)<br>I Greenstreet<br>NE Gubb                                                                                                                                                                                                                                                                                                                                                                                           |
| Invitees                    | None                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Role and function (broadly) | <p>The role of the Committee is to consider and recommend to the Board:</p> <ul style="list-style-type: none"><li>• nominees to serve as non-executive directors on the Board, or fill vacancies as and when they arise;</li><li>• on an annual basis, any new nominees to replace non-executive directors retiring from the board; and</li><li>• the removal of any non-executive directors serving on the board from time to time.</li></ul> |

## Social and Ethics Committee

|                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|-----------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Membership                  | JA Janse van Rensburg (Chairman)<br>EDJ Ashkar<br>SL Ndwalaza                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Invitees                    | Other members of senior management as may be required                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Role and function (broadly) | <p>The Committee has the following duties:</p> <ul style="list-style-type: none"><li>• The main objective of the Committee is to assist the Board with the oversight of social and ethical matters relating to the Company, specifically as listed in regulation 43(5) of the Companies Act, 2008.</li></ul> <p>The Committee is satisfied that it has fulfilled all its duties during the year under review. During the year under review, the Committee amongst others –</p> <ul style="list-style-type: none"><li>• revised its terms of reference and submitted it to the board for approval;</li><li>• finalised its annual workplan;</li><li>• considered Assupol's employment equity plan and its relationship with Assupol employees;</li><li>• considered its relationship with its clients and the progress made with the Treat the Customer Fairly initiative;</li><li>• the principles applicable to Assupol's sponsorships, donations and charitable giving; and</li><li>• Assupol's black-economic empowerment status.</li></ul> <p>The Committee is also required to report through one of its members to the Company's shareholders on the matters within its mandate at the Company's Annual General Meeting to be held on 19 November 2014. In the notice of the Annual General Meeting, shareholders are referred to this report by the Committee. Any specific questions to the Committee may be sent to the Company Secretary prior to the meeting.</p> |



## Audit committee report

The audit committee is an independent statutory committee, as appointed by the shareholders. Further duties are delegated to the audit committee by the board of directors of the company in the formally adopted 'Terms of Reference' as approved by the Board of directors. This report includes both these sets of duties and responsibilities.

### **Audit committee members, meeting attendance and assessment**

The audit committee is independent and consists of three non-executive directors. The committee should meet at least twice per year as per the committee's terms of reference. During the year under review four meetings were held.

The Assupol Group Chief Executive Officer, Group Chief Financial Officer, other members of senior management, external and internal auditors and other assurance and/or service providers (actuarial, legal and compliance) attend meetings by invitation only.

### **Duties of the committee**

The audit committee's role and responsibilities include statutory duties as per the Companies Act, 2008, the Long Term Insurance Act, 1998, as well as further responsibilities assigned to it by the board.

### **Statutory duties**

#### **External auditor appointment and independence**

The audit committee has satisfied itself that the external auditor was independent of the company, as set out in section 94(8) of the Companies Act, 2008, which includes consideration of previous appointments of the auditor, the extent of other work undertaken by the auditor for the company and compliance with criteria relating to independence or conflicts of interest as prescribed by the Independent Regulatory Board for Auditors.

The committee, in consultation with executive management, agreed to the engagement letter, terms, audit plan and budgeted audit fees for the 2014 year.

### **Financial statements and accounting practices**

The audit committee has reviewed the accounting policies and the financial statements of the company and is satisfied that they are appropriate and comply with International Financial Reporting Standards (IFRS).

An audit committee process has been established to receive and deal appropriately with any concerns and complaints relating to the reporting practices of the company. No matters of significance have been raised in the past financial year.

### **Internal financial controls**

The audit committee has overseen a process by which the internal auditors have audited the effectiveness of the company's system of internal control, including internal financial controls. The audit gives negative assurance, which means that nothing came to the attention of the internal auditors that would indicate a material breakdown in controls. The audit committee did report this result to the board of directors.

### **Other duties**

#### **Integrated report**

The audit committee fulfils an oversight role regarding the company's integrated report and the reporting process. The audit committee considered the company's sustainability information as disclosed in the integrated report and has assessed its consistency with operational and other information known to audit committee members, and for consistency with the annual financial statements.



The committee has satisfied itself that the sustainability information is reliable and consistent with the financial results, and recommends the integrated report for approval by the board of directors.

### **Going concern**

The audit committee has reviewed a documented assessment, including key assumptions, prepared by management on the going concern status of the group. The board's statement on the going concern status of the Assupol Group, as supported by the audit committee, is documented in the Annual Financial Statements.

### **Internal audit**

The audit committee is responsible for ensuring that the company's internal audit function is independent and has the necessary resources, standing and authority within the company to enable it to discharge its duties.

The audit committee has outsourced the internal audit function to KPMG. The internal audit function's annual audit plan for the new financial year was approved by the audit committee. KPMG is responsible for reporting the findings of the internal audit work against the agreed internal audit plan to the audit committee on a regular basis. KPMG has direct access to the audit committee, primarily through its chairperson.

### **Evaluation of the expertise and experience of Chief Financial Officer and finance function**

The audit committee has satisfied itself that the Group Chief Financial Officer has appropriate expertise and experience.

The audit committee has considered, and has satisfied itself of the appropriateness of the expertise and adequacy of resources of the finance function and experience of the senior members of management responsible for the financial function.



# RISK MANAGEMENT





**B**eing in business means managing risks. As a financial services group, Assupol is naturally exposed to a variety of risks. During the past year, the formal risk management practices and structures adopted previously have been further enhanced. In formalising and entrenching risk management in our business practices, we aim to improve overall business performance and assist with sustainable value growth of the Group.

## Three lines of defence

The key objective of our risk management efforts at Assupol is to ensure that we are aware of and pro-actively manage our risks in the best possible way. For obvious reasons, cost implications are considered when implementing controls that need to address risk. We adopt a “three lines of defence” approach, where ownership for risk is taken at various levels in the Group.

*First line of defence:* the individual business departments form the first line of defence. The bulk of the transactions arise at this level, and the bulk of the controls are also implemented at this level.

*Second line of defence:* this level comprises of various corporate oversight measures. The most notable is a variety of committees that manage specific risks. In addition, we have independent internal oversight structures in place, such as our Finance Department, Legal & Compliance, and ultimately the Board of Directors.

*Third line of defence:* this level comprises of a totally independent review of the functioning and effectiveness of the first two lines of defence. The internal and external auditors, as well as our statutory actuary form part of this line.

## Business = Change

The old adage “the only constant is change” is as applicable to business as to anything else in life. In the past few years we have experienced considerable change in the financial services sector through changes in accounting practices and heightened regulatory efforts. We do expect this to decrease in the foreseeable future.

We list the most notable change impacts as they pertain to the Group:

|                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|----------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Depressed economic environment                     | The past year has seen the South African economy negatively impacted by strikes and the continued struggle to find work for the unemployed. The negative effects are most definitely also felt by our target market, but we remain upbeat about our growth possibilities.                                                                                                                                                                                                                               |
| Compliance with the Financial Markets Act          | The FSB has issued a directive urging all “single stock exchanges” such as Assupol’s over-the-counter platform to comply with the Financial Markets Act. We are investigating our options and will be presenting alternatives to our Board of directors well within the targeted timelines.                                                                                                                                                                                                             |
| Solvency Assessment and Monitoring (SAM)           | The FSB is implementing a new monitoring regime which is similar to the European Solvency II directive. The scheduled implementation date is 1 January 2016. We have participated in all 3 “quantitative impact studies” from 2011 to 2013. The light parallel run has commenced on 1 July 2014, and the full parallel run will commence on 1 January 2015. While the implementation of SAM is a strain on company resources, we do believe it will lead to better market protection for policyholders. |
| International Financial Reporting Standards (IFRS) | The IFRS are continually amended by the International Accounting Standards Board. Changes to IFRS4 (phase II) will have a material impact on how we report on our results. The estimated effective date is unknown at this stage.                                                                                                                                                                                                                                                                       |



|                                                               |                                                                                                                                                                                                                                                                                                  |
|---------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Treating customers fairly (TCF)                               | The FSB has launched a TCF supervisory framework to ensure that clients of the financial services sector are treated fairly by the respective companies. As a result of these efforts, we hope that the financial services sector will continue to be exempted from the Consumer Protection Act. |
| Protection of Personal Information                            | The legislation has been tabled in Parliament. Certain sections are in force since 11 April 2014. There is a one-year time window after signing, after which compliance with the law is compulsory.                                                                                              |
| Change in commission regulations (retail distribution review) | The FSB in conjunction with National Treasury is looking at how commission on insurance contracts should be changed.                                                                                                                                                                             |
| Micro-insurance                                               | The FSB in conjunction with National Treasury is proposing a new regulatory framework for lower-quantum insurance. Under this framework, companies that offer micro-insurance products will not be regulated as intensely as other insurance companies                                           |

## Risk management framework

We do not yet have a fully implemented enterprise risk management framework, although this is our aim. It takes time for a risk management process to evolve and to mature into a fully-fledged ERM (Enterprise Risk Management) environment. Key features of our risk management measures are:

1. Establishment of a Risk Committee (at board level) *[For more information on this committee, refer to the Governance section]*
2. Ensuring clear lines of communication between the Risk Committee and the Audit Committee by having a member of the Risk Committee also being a member of the Audit Committee.
3. A formal 'Risk Appetite and Tolerance' statement has been approved at Board level, and reporting on compliance with this statement is done to the Risk Committee on a quarterly basis.
4. We have compiled "top 5" and "risk dashboard" documents which are reviewed by our EXCO on a quarterly basis, and reported to the Risk Committee.

5. A formal Risk Management Plan has been approved by the Board.
6. Maintaining a Risk Register which captures strategic and operational risks for Assupol Life Limited (the biggest entity in the Group, and the entity with the biggest exposure) in line with the approved Risk Management Plan
7. Regular reporting of the strategic and operational risks to the Risk Committee, and specifically highlighting any changes arising from the bi-annual review of the risk registers

Going forward, the focus will be on the implementation of further risk measurement tools (specifically aimed at quantifying the various risk / reward trade-off) and widening the scope of the risk management focus to well beyond the traditional operational risks arena. Our efforts in this regard will be built on and guided by the principles of ORSA.



## Risk Classification

Risks can generally be classified into any of the following classes:

### Financial risks

- a) **Insurance risk**  
Insurance risk is the risk that the Group takes when insuring lives. Mortality risk reflects uncertainty about death rates, morbidity risk reflects uncertainty about disability rates, lapse risk reflects uncertainty related to surrender and withdrawal rates, expense risk reflects uncertainty arising out of the cost of servicing of policies.
- b) **Credit risk**  
Credit risk is the risk of losses arising from defaulting counterparties such as underwriters of investments, reinsurers and intermediaries.
- c) **Market risk**  
Market risk is the risk of poor investment returns due to changes the level or volatility of interest rates, equity prices and foreign exchange rates.
- d) **Liquidity risk**  
Liquidity risk is the risk that either short-term or long-term payment obligations cannot

be met, or that such resources can only be secured at considerable cost to the company.

### Non-financial risks

- e) **Operational risk**  
We have defined operational risk as “the risk of loss arising from a) inadequate or failed internal processes, personnel or systems, or from b) external events”. Operational risk includes legal risk, but excludes strategic and reputational risks.
- f) **Compliance risk**  
Compliance risk is the risk of non-compliance with relevant laws, regulations, policies and ethical standards.
- g) **Strategic risk**  
Strategic risk is the inability to drive or execute the strategic vision of the company.
- h) **Reputational risk**  
Reputational risk is the risk of damage to the reputation of the company due to an event or action by either an external party or employees.

## Our primary risks

What follows is a listing of our most critical risks, and the steps we have taken to counter the risks.

| Category  | Risk                                                                    | Mitigation                                                                                                                                                                                                                                                  |
|-----------|-------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Financial | Insuring death and disability at correct levels and at correct premiums | <ul style="list-style-type: none"> <li>• We have a defined application and underwriting process whereby we only accept insurance risk up to certain limits</li> <li>• We are able to re-price our products should the premiums become inadequate</li> </ul> |
|           | Adverse claims, withdrawal and expense experience                       | <ul style="list-style-type: none"> <li>• We do annual and quarterly experience analysis on claims, withdrawals and expenses in order to detect areas of loss so that we can make the necessary adjustments</li> </ul>                                       |



| Category  | Risk                                                           | Mitigation                                                                                                                                                                                                                                                                                                                                                                                                     |
|-----------|----------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|           | Policyholder liabilities to be estimated reliably              | <ul style="list-style-type: none"><li>• Our internal actuaries model and set all parameters for the actuarial valuation according to reliable sources or industry practice</li><li>• Our independent statutory actuary reviews the parameters and assumptions, and suggests any necessary changes</li></ul>                                                                                                    |
| Credit    | We could lose money from investments as a result of bad credit | <ul style="list-style-type: none"><li>• We have a conservative investment strategy, and our asset managers may only invest in investment-grade instruments</li></ul>                                                                                                                                                                                                                                           |
|           | We face possible credit losses from our trading parties        | <ul style="list-style-type: none"><li>• Insurance policies are subjected to a monthly lapse test that uses criteria as approved by the Actuarial Committee</li><li>• Credit risk from intermediaries is monitored on a monthly basis by our Credit Control Committee</li></ul>                                                                                                                                 |
| Market    | Investments may decrease in value                              | <ul style="list-style-type: none"><li>• We have invested our assets in a diversified portfolio of equities, bonds and cash so that the risk is spread</li><li>• A conservative investment strategy is followed</li><li>• The asset managers may invest only according to mandates that have been approved by the Investment Committee</li></ul>                                                                |
| Liquidity | The Assupol Group may suffer liquidity problems                | <ul style="list-style-type: none"><li>• All companies in the group have approved budgets for the new financial year which do not forecast any cash shortages</li><li>• Short-term finance can be implemented to cover any immediate need, should the need arise</li><li>• Long-term finance requirements can be met by liquidating invested assets over time, and thereby minimising possible losses</li></ul> |
|           | Not meeting solvency requirements                              | <ul style="list-style-type: none"><li>• Assupol Life is adequately capitalised, and the CAR ratio is monitored on an ongoing basis</li></ul>                                                                                                                                                                                                                                                                   |



| Category    | Risk                                                             | Mitigation                                                                                                                                                                                                                                                                                                                                                                                                             |
|-------------|------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Operational | Key dependency on our IT environment                             | <ul style="list-style-type: none"> <li>• Our IT server environment has been largely virtualised, thereby ensuring redundancy</li> <li>• An off-site disaster recovery centre has been implemented for critical IT services</li> </ul>                                                                                                                                                                                  |
|             | Concentration risk exists in product line and premium collection | <ul style="list-style-type: none"> <li>• The bulk of our premiums are collected via the PERSAL system which ensure a very high rate of success in the collection of premiums</li> <li>• In order to avoid concentration of risks away from funeral business, we have implemented a specific diversification strategy, the successful implementation of which will dramatically reduce this core dependency.</li> </ul> |
|             | Impact of fraud on new business and claims                       | <ul style="list-style-type: none"> <li>• We monitor and improve our controls on a continuous basis to ensure that fraud is detected and therefore fraud losses are minimised</li> </ul>                                                                                                                                                                                                                                |
|             | Attract and retain the right staff with the correct skills       | <ul style="list-style-type: none"> <li>• We conduct competency-based interviews, and pay market-related salaries. We also have staff retention incentives in place</li> </ul>                                                                                                                                                                                                                                          |
| Compliance  | Compliance with relevant major legislation                       | <ul style="list-style-type: none"> <li>• Our compliance department monitors compliance with all relevant major laws</li> </ul>                                                                                                                                                                                                                                                                                         |
|             | Keeping abreast of new legislation                               | <ul style="list-style-type: none"> <li>• The compliance department investigates and prepares the business for pending legislative changes</li> </ul>                                                                                                                                                                                                                                                                   |
| Reputation  | Not meeting customer expectations                                | <ul style="list-style-type: none"> <li>• We have dedicated resources to drive our "Treat Customers Fairly" assessment and identify any necessary improvements</li> </ul>                                                                                                                                                                                                                                               |



# REMUNERATION REPORT





## Introduction

Constituted as a committee of the Board of Director of Assupol Holdings Limited, the Remuneration Committee comprises three non-executive directors who are tasked with guiding and overseeing the structure and implementation of the group's remuneration policies. The Committee has an independent oversight role in respect of all remuneration and related matters for the Company. It sets all remuneration and incentives in respect of executive management, as well as non-executive directors, and delegates authority to executive management to propose remuneration in respect of general staff, subject to approval by the Remuneration Committee.

The Remuneration Committee's key objectives are to enable Assupol to continue to attract and retain high calibre executives, reward performance in the context of appropriate risk management, align the interests of executives and staff with those of shareholders and to build and maintain a sustainable performance-based culture within the organisation.

Importantly, the remuneration philosophy supports the group's business strategy by aligning strategic goals with organisational behaviour based on meritocracy and performance. Focus is also placed on ensuring alignment of the remuneration policies with the relevant regulatory and governance requirements, including those of the King Code of Corporate Governance (King III).

A review of the group's remuneration policies was undertaken during the year, which has firmly placed the accent on ensuring a competitive structure, aligning the interests of stakeholders, focusing on group-wide performance, maintaining consistency and transparency across all group incentive structures and adopting best practice models wherever possible.

## Executive and employee remuneration

As a group, Assupol strives to remunerate successful executives and employees between the median and upper quartiles (as defined by an independent remuneration survey) and measured on a total reward basis (i.e. on the total remuneration package), including the guaranteed as well as short- and long-term incentive elements thereof. Within the total reward context, the benchmarking bias will always be towards the incentive (at risk) elements of the remuneration packages, with less emphasis on the benchmarking of the guaranteed element of the total remuneration package.

We recognise that the executive management team has a material influence on our group's performance and growth, and as such the variable compensation (short and long term incentives) makes up a meaningful part of their total compensation.

Variable compensation is directly linked to the performance of our group. An optimal balance between short and longer-term incentives is sought to ensure the alignment of the interests of executives and the interests of shareholders. This balance is also based on a total reward concept and ensures that short-term success is not striven for at the cost of undue risk or adversely affecting long-term sustainability.

## Changes to incentive-based remuneration

Following a comprehensive review of the group's remuneration policies, it was decided during the 2014 financial year to implement fundamental changes to the incentive-based remuneration structures available to executives and other eligible employees.

A single incentive pool scheme has been introduced to cover both short and long-term incentives for all executives and other employees. Effectively, there is now one



incentive scheme for both short and long-term incentives, with the bias towards the deferment of rewards.

Critically important for the group and its shareholders is that fact that all incentives are based on solid return-on-capital principles. Strict alignment with the interests of shareholders is gained through the existence of an incentive pool that is driven by excess return on capital that meets stated after tax net profit hurdle requirements.

By employing a blended and measured approach to incentives, there is strong mitigation against risk-taking to achieve short-term objectives, which can undermine longer-term goals.

Also as a direct result of the review of the group's remuneration policies, the four executive directors, who were previously on

term-based contracts, have been placed on permanent contracts, linked to appropriate restraint of trade terms and conditions.

## Non-executive directors' remuneration

No changes have been made to the way in which non-executive directors are remunerated. They receive a fee as directors and a separate fee for serving on various Board-appointed committees.

The fees of non-executive directors are benchmarked at the median, as defined by independent research.

Non-executive directors do not receive variable compensation and do not participate in any bonus, profit or other short- or long-term incentive schemes.

## Executive directors and prescribed officer (paid by Assupol Life)

| R'000                            | RF Schmidt (CEO) | D de Klerk (CFO) | MB Mokwena-Halala | SL Ndwalaza  | GFM Wessels   | Total         |
|----------------------------------|------------------|------------------|-------------------|--------------|---------------|---------------|
| <b>30 June 2014</b>              |                  |                  |                   |              |               |               |
| Basic salary                     | 2 531            | 1 847            | 2 000             | 1 902        | 2 257         | 10 537        |
| Other incentives and benefits    | 10               | 162              | 10                | 10           | 130           | 322           |
| Pension fund contributions       | 309              | 244              | 244               | 342          | 290           | 1 428         |
| Cash bonus                       | 3 000            | 2 250            | 2 625             | 1 500        | 3 500         | 12 875        |
| Deferred bonus *                 | 1 000            | 750              | 875               | 500          | -             | 3 125         |
| <b>Total director emoluments</b> | <b>6 849</b>     | <b>5 254</b>     | <b>5 754</b>      | <b>4 254</b> | <b>6 177</b>  | <b>28 287</b> |
| Share-based payments             |                  |                  |                   |              |               |               |
| Free shares                      | 4                | 256              | 234               | -            | 373           | 867           |
| Share incentive                  | 712              | 577              | 577               | 684          | 700           | 3 250         |
| Restraint of trade               | 2 068            | 2 068            | 2 068             | 2 068        | 2 641         | 10 912        |
|                                  | <b>9 633</b>     | <b>8 154</b>     | <b>8 632</b>      | <b>7 006</b> | <b>9 891</b>  | <b>43 316</b> |
| <b>30 June 2013</b>              |                  |                  |                   |              |               |               |
| Basic salary                     | 2 421            | 1 758            | 1 918             | 1 759        | 2 162         | 10 019        |
| Other incentives and benefits    | 10               | 162              | 10                | 10           | 130           | 322           |
| Pension fund contributions       | 295              | 233              | 234               | 316          | 278           | 1 356         |
| Cash bonus                       | 5 625            | 4 388            | 4 388             | 3 375        | 4 725         | 22 501        |
| <b>Total director emoluments</b> | <b>8 351</b>     | <b>6 541</b>     | <b>6 549</b>      | <b>5 460</b> | <b>7 296</b>  | <b>34 198</b> |
| Share-based payments             |                  |                  |                   |              |               |               |
| Employee shares                  | 8                | 512              | 468               | -            | 745           | 1 733         |
| Share incentive                  | 896              | 726              | 726               | 570          | 882           | 3 801         |
| Restraint of trade               | 1 583            | 1 583            | 1 583             | 1 583        | 2 022         | 8 355         |
|                                  | <b>10 839</b>    | <b>9 363</b>     | <b>9 326</b>      | <b>7 614</b> | <b>10 945</b> | <b>48 087</b> |



## Executive directors and prescribed officer (securities issued by Assupol Holdings)

|                     | Restraint of trade shares | Employee shares * | Incentive shares  | Total             |
|---------------------|---------------------------|-------------------|-------------------|-------------------|
| <b>30 June 2014</b> |                           |                   |                   |                   |
| RF Schmidt          | 2 000 000                 | -                 | 8 233 405         | 10 233 405        |
| D de Klerk          | 2 000 000                 | -                 | 6 677 241         | 8 677 241         |
| MB Mokwena-Halala   | 2 000 000                 | -                 | 6 677 241         | 8 677 241         |
| SL Ndwalaza         | 2 000 000                 | -                 | 5 230 582         | 7 230 582         |
| GFM Wessels         | 2 000 000                 | -                 | 8 103 418         | 10 103 418        |
|                     | <b>10 000 000</b>         | <b>-</b>          | <b>34 921 887</b> | <b>44 921 887</b> |
| <b>30 June 2013</b> |                           |                   |                   |                   |
| RF Schmidt          | 2 000 000                 | 15 980            | 8 233 405         | 10 249 385        |
| D de Klerk          | 2 000 000                 | 971 927           | 6 677 241         | 9 649 168         |
| MB Mokwena-Halala   | 2 000 000                 | 887 694           | 6 677 241         | 9 564 935         |
| SL Ndwalaza         | 2 000 000                 | -                 | 5 230 582         | 7 230 582         |
| GFM Wessels         | 2 000 000                 | 1 415 423         | 8 103 418         | 11 518 841        |
|                     | <b>10 000 000</b>         | <b>3 291 024</b>  | <b>34 921 887</b> | <b>48 212 911</b> |

\* The employee shares (free shares) vested during the year.

## Non-executive directors (paid by Assupol Holdings and Assupol Life)

| R'000                            | Trustee fees | Board fees   | Committee fees | Total        |
|----------------------------------|--------------|--------------|----------------|--------------|
| <b>30 June 2014</b>              |              |              |                |              |
| JA Janse van Rensburg (Chairman) | -            | 1 140        | 127            | 1 268        |
| EDJ Ashkar                       | -            | 363          | 229            | 593          |
| ILM Barnett                      | -            | 363          | 62             | 425          |
| AS Birrell                       | -            | 363          | 145            | 508          |
| NE Gubb                          | -            | 363          | 127            | 491          |
| I Greenstreet                    | -            | 363          | 174            | 538          |
| T Muranda                        | -            | 274          | 184            | 458          |
| CJ van Dyk                       | -            | 274          | 304            | 579          |
| KL Craemer                       | 16           | 1 142        | 305            | 1 463        |
| AR Els                           | -            | 273          | 109            | 381          |
|                                  | <b>16</b>    | <b>4 921</b> | <b>1 767</b>   | <b>6 703</b> |
| <b>30 June 2013</b>              |              |              |                |              |
| DJ le Roux (previous Chairman)   | -            | 1 294        | 131            | 1 424        |
| KL Craemer (acting Chairman)     | 33           | 906          | 262            | 1 201        |
| JA Janse van Rensburg            | -            | 338          | 83             | 421          |
| EDJ Ashkar                       | -            | 89           | 18             | 107          |
| ILM Barnett                      | -            | 89           | -              | 89           |
| AS Birrell                       | -            | 56           | -              | 56           |
| NE Gubb                          | -            | 147          | 18             | 165          |
| I Greenstreet                    | -            | 56           | 18             | 74           |
| AR Els                           | -            | 338          | 151            | 489          |
| S Nyalungu                       | -            | 338          | 58             | 396          |
| HG Engelbrecht                   | -            | 338          | -              | 338          |
|                                  | <b>33</b>    | <b>3 989</b> | <b>739</b>     | <b>4 761</b> |



## CONDENSED ANNUAL FINANCIAL STATEMENTS



These condensed consolidated financial results have been prepared under the supervision of D de Klerk CA(SA), the Group CFO.

# CONDENSED ANNUAL FINANCIAL STATEMENTS



## Condensed consolidated statement of comprehensive income for the year ended 30 June 2014

|                                                                    | Notes | Consolidated       |                    |
|--------------------------------------------------------------------|-------|--------------------|--------------------|
|                                                                    |       | 2014<br>R'000      | 2013<br>R'000      |
| Insurance premiums revenue                                         |       | 1 794 540          | 1 636 648          |
| Insurance premiums ceded to reinsurers                             |       | (150 144)          | (128 567)          |
| Net insurance premium revenue                                      |       | 1 644 396          | 1 508 081          |
| Commission received on outward reinsurance                         |       | 10 560             | 4 318              |
| Fee income                                                         |       | 60 949             | 63 772             |
| Investment income                                                  |       | 123 440            | 108 282            |
| Net fair value gains on financial assets                           |       | 328 497            | 283 549            |
| Other income                                                       |       | 26 261             | 23 692             |
| <b>Income</b>                                                      |       | <b>2 194 103</b>   | <b>1 991 694</b>   |
| Insurance benefits and claims                                      |       | (820 629)          | (896 931)          |
| Insurance claims recovered from reinsurers                         |       | 135 236            | 107 224            |
| Net insurance benefits and claims                                  |       | (685 393)          | (789 707)          |
| Expenses for the acquisition of insurance and investment contracts |       | (332 568)          | (279 898)          |
| Operating and administrative expenses                              | 6     | (595 100)          | (500 579)          |
| Investment management expenses                                     |       | (5 606)            | (10 848)           |
| Change in insurance contract provisions                            | 3.1   | 416 805            | 106 815            |
| Fair value adjustments on investment contract liabilities          |       | (192 701)          | (125 443)          |
| <b>Expenses</b>                                                    |       | <b>(1 394 563)</b> | <b>(1 599 660)</b> |
| Result of operating activities                                     |       | 799 540            | 392 034            |
| Finance charges                                                    |       | (6 418)            | (4 638)            |
| Share of profit / (loss) from associate                            |       | 185                | (4)                |
| Profit before taxation                                             |       | 793 307            | 387 392            |
| Income tax expense                                                 |       | (222 845)          | (119 059)          |
| <b>Profit for the year</b>                                         |       | <b>570 462</b>     | <b>268 333</b>     |
| Other comprehensive income                                         |       |                    |                    |
| Gains on property revaluation                                      |       | 2 613              | 1 703              |
| Income tax relating to other comprehensive income                  |       | (732)              | (477)              |
| <b>Other comprehensive income for the year</b>                     |       | <b>1 881</b>       | <b>1 226</b>       |
| <b>Total comprehensive income for the year</b>                     |       | <b>572 343</b>     | <b>269 559</b>     |
| Profit attributable to Shareholders                                |       | 569 052            | 266 719            |
| Non-controlling interests                                          |       | 1 410              | 1 614              |
|                                                                    |       | 570 462            | 268 333            |
| Total comprehensive income attributable to Shareholders            |       | 570 933            | 268 151            |
| Non-controlling interests                                          |       | 1 410              | 1 408              |
|                                                                    |       | 572 343            | 269 559            |



Condensed consolidated statement of financial position  
as at 30 June 2014

|                                                                      | Notes | Consolidated     |                  |
|----------------------------------------------------------------------|-------|------------------|------------------|
|                                                                      |       | 2014<br>R'000    | 2013<br>R'000    |
| <b>Assets</b>                                                        |       |                  |                  |
| Owner-occupied properties                                            |       | 29 945           | 28 250           |
| Equipment                                                            |       | 32 098           | 29 244           |
| Deferred tax asset                                                   |       | 45 807           | 45 743           |
| Intangible assets - including insurance intangible assets            |       | 111 429          | 116 796          |
| Investments in subsidiaries                                          |       | -                | -                |
| Interest in associate                                                |       | 4 348            | 2 054            |
| Financial assets - Investments at fair value through profit and loss |       |                  |                  |
| Equity securities                                                    |       | 1 328 091        | 1 112 725        |
| Debt securities                                                      |       | 1 112 480        | 968 011          |
| Deposits and money market securities                                 |       | 376 437          | 306 198          |
| Policyholder assets: Insurance contracts                             | 7     | 576 267          | 159 462          |
| Insurance and other receivables                                      | 8     | 104 082          | 108 645          |
| Current taxation                                                     |       | -                | 9 929            |
| Cash and cash equivalents                                            |       | 199 059          | 240 843          |
| <b>Total assets</b>                                                  |       | <b>3 920 043</b> | <b>3 127 900</b> |
| <b>Equity</b>                                                        |       |                  |                  |
| <b>Capital and reserves</b>                                          |       |                  |                  |
| Share capital                                                        |       | 30 370           | 30 345           |
| Share premium                                                        |       | 547 176          | 547 270          |
| Treasury shares                                                      |       | (78)             | (27 149)         |
| Employee benefits reserve                                            |       | 23 770           | 39 816           |
| Black Economic Empowerment reserve                                   |       | 14 300           | 14 300           |
| Retained earnings                                                    |       | 1 326 284        | 756 935          |
| Revaluation reserve                                                  |       | 5 221            | 3 340            |
| <b>Non-controlling interests</b>                                     |       | <b>2 232</b>     | <b>822</b>       |
|                                                                      |       | <b>1 949 274</b> | <b>1 365 678</b> |
| <b>Liabilities</b>                                                   |       |                  |                  |
| Policyholder liabilities: Investment contracts                       |       | 1 285 800        | 1 138 581        |
| Borrowings                                                           |       | 22               | 133 712          |
| Employee benefits                                                    |       | 66 794           | 59 373           |
| Deferred revenue liability                                           |       | 297              | 360              |
| Deferred tax liability                                               |       | 399 006          | 258 711          |
| Insurance and other payables                                         | 9     | 212 810          | 171 485          |
| Current taxation                                                     |       | 6 040            | -                |
|                                                                      |       | <b>1 970 769</b> | <b>1 762 222</b> |
| <b>Total equity and liabilities</b>                                  |       | <b>3 920 043</b> | <b>3 127 900</b> |

## Condensed consolidated statement of changes in equity for the year ended 30 June 2014

|                                                  | Share capital<br>R'000 | Share premium<br>R'000 | Treasury shares<br>R'000 | Employee benefits reserve<br>R'000 | BEE reserve<br>R'000 | Retained income<br>R'000 | Revaluation reserve<br>R'000 | Non-controlling interest<br>R'000 | Total capital & equity<br>R'000 |
|--------------------------------------------------|------------------------|------------------------|--------------------------|------------------------------------|----------------------|--------------------------|------------------------------|-----------------------------------|---------------------------------|
| <b>Balance at 30 June 2012</b>                   | 469                    | 520 953                | (31 383)                 | 23 590                             | -                    | 930 588                  | 2 114                        | 5 355                             | 1 451 686                       |
| Issue of shares to Assupol Share Incentive Trust | 15                     | -                      | (15)                     | -                                  | -                    | -                        | -                            | -                                 | -                               |
| Issue of shares to institutional investors       | 208                    | 478 542                | -                        | -                                  | -                    | -                        | -                            | -                                 | 478 750                         |
| Issue of "A1" ordinary shares                    | 29 684                 | -                      | -                        | -                                  | -                    | -                        | -                            | -                                 | 29 684                          |
| Issue of "A2" ordinary shares                    | 316                    | -                      | -                        | -                                  | 14 300               | -                        | -                            | -                                 | 14 616                          |
| Issue of shares to PIC Holdings Limited          | 2                      | 3 638                  | -                        | -                                  | -                    | -                        | -                            | -                                 | 3 640                           |
| Redemption of preference shares                  | (356)                  | (451 615)              | -                        | -                                  | -                    | (439 023)                | -                            | -                                 | (890 995)                       |
| Issue of shares to executive directors           | 10                     | -                      | -                        | -                                  | -                    | -                        | -                            | -                                 | 10                              |
| Free shares of resigned employees cancelled      | (3)                    | (4 248)                | 4 249                    | -                                  | -                    | -                        | -                            | -                                 | (2)                             |
| Cost of free shares to employees                 | -                      | -                      | -                        | 8 599                              | -                    | -                        | -                            | -                                 | 8 599                           |
| Cost of incentive shares                         | -                      | -                      | -                        | 7 627                              | -                    | -                        | -                            | -                                 | 7 627                           |
| Changes in ownership in subsidiaries             | -                      | -                      | -                        | -                                  | -                    | (1 349)                  | -                            | (6 147)                           | (7 496)                         |
| Profit for the year                              | -                      | -                      | -                        | -                                  | -                    | 266 719                  | -                            | 1 614                             | 268 333                         |
| Other comprehensive income for the year          | -                      | -                      | -                        | -                                  | -                    | -                        | 1 226                        | -                                 | 1 226                           |
| <b>Balance at 30 June 2013</b>                   | 30 345                 | 547 270                | (27 149)                 | 39 816                             | 14 300               | 756 935                  | 3 340                        | 822                               | 1 365 678                       |
| Issue of shares to Assupol Community Trust       | 25                     | -                      | -                        | -                                  | -                    | -                        | -                            | -                                 | 25                              |
| Free shares of resigned employees cancelled      | -                      | (94)                   | 94                       | -                                  | -                    | -                        | -                            | -                                 | -                               |
| Cost of free shares to employees                 | -                      | -                      | -                        | 4 399                              | -                    | -                        | -                            | -                                 | 4 399                           |
| Cost of incentive shares                         | -                      | -                      | -                        | 6 532                              | -                    | -                        | -                            | -                                 | 6 532                           |
| Vesting of free shares to employees              | -                      | -                      | 26 977                   | (26 977)                           | -                    | -                        | -                            | -                                 | -                               |
| Changes in ownership in subsidiary               | -                      | -                      | -                        | -                                  | -                    | 297                      | -                            | -                                 | 297                             |
| Profit for the year                              | -                      | -                      | -                        | -                                  | -                    | 569 052                  | -                            | 1 410                             | 570 462                         |
| Other comprehensive income for the year          | -                      | -                      | -                        | -                                  | -                    | -                        | 1 881                        | -                                 | 1 881                           |
| <b>Balance at 30 June 2014</b>                   | 30 370                 | 547 176                | (78)                     | 23 770                             | 14 300               | 1 326 284                | 5 221                        | 2 232                             | 1 949 274                       |





Condensed consolidated statement of cash flows  
for the year ended 30 June 2014

|                                                                               | Consolidated     |                  |
|-------------------------------------------------------------------------------|------------------|------------------|
|                                                                               | 2014<br>R'000    | 2013<br>R'000    |
| <b>Cash flows from operating activities</b>                                   |                  |                  |
| Cash generated from / (utilised in) operations                                | 132 999          | (80 860)         |
| Interest received                                                             | 94 028           | 81 356           |
| Dividends received                                                            | 29 412           | 26 926           |
| Finance charges                                                               | (6 418)          | (4 638)          |
| Taxation paid                                                                 | (67 972)         | (49 559)         |
| <b>Net cash flows from operating activities</b>                               | <b>182 049</b>   | <b>(26 774)</b>  |
| <b>Cash flows from investing activities</b>                                   |                  |                  |
| Acquisition of equipment                                                      | (13 529)         | (11 852)         |
| Proceeds on disposal of property and equipment                                | 2 623            | 1 312            |
| Disposal of investment in subsidiary                                          | (1 165)          | -                |
| Net acquisition of financial instruments at fair value through profit or loss | (101 577)        | 294 909          |
| Net decrease in loan receivables                                              | 23 480           | 18 171           |
| <b>Net cash flows from investing activities</b>                               | <b>(90 168)</b>  | <b>302 540</b>   |
| <b>Cash flows from financing activities</b>                                   |                  |                  |
| Ordinary shares issued                                                        | 25               | 512 400          |
| Ordinary shares cancelled                                                     | -                | (3)              |
| Preference shares redeemed                                                    | -                | (890 995)        |
| (Decrease) / increase in borrowings                                           | (133 690)        | 132 093          |
| <b>Net cash flows from financing activities</b>                               | <b>(133 665)</b> | <b>(246 504)</b> |
| Net (decrease) / increase in cash and cash equivalents                        | (41 784)         | 29 261           |
| Cash and cash equivalents at beginning of the year                            | 240 843          | 211 581          |
| <b>Cash and cash equivalents at end of the year</b>                           | <b>199 059</b>   | <b>240 843</b>   |



## Condensed group segment report for the year ended 30 June 2014

|                                                | Consolidated     |                  |
|------------------------------------------------|------------------|------------------|
|                                                | 2014<br>R'000    | 2013<br>R'000    |
| <b>Segment profit</b>                          |                  |                  |
| Segment profit after taxation                  |                  |                  |
| Life insurance                                 | 577 876          | 298 097          |
| Brokers                                        | 5 811            | 6 874            |
| Other                                          | 9 704            | 1 785            |
| Segment total                                  | 593 391          | 306 757          |
| Reporting adjustments after taxation           | (22 928)         | (38 424)         |
| Group profit for the year                      | 570 462          | 268 333          |
| Other comprehensive income                     | 1 881            | 1 226            |
| <b>Group comprehensive income for the year</b> | <b>572 343</b>   | <b>269 559</b>   |
| <b>Segment assets and liabilities</b>          |                  |                  |
| <b>Segment assets</b>                          |                  |                  |
| Life insurance                                 | 3 704 050        | 2 949 929        |
| Brokers                                        | 43 712           | 48 207           |
| Other                                          | 43 620           | 37 358           |
| Segment total                                  | 3 791 382        | 3 035 494        |
| Reporting adjustments                          | 128 661          | 92 406           |
| <b>Group assets</b>                            | <b>3 920 043</b> | <b>3 127 900</b> |
| <b>Segment liabilities</b>                     |                  |                  |
| Life insurance                                 | 1 897 657        | 1 558 613        |
| Brokers                                        | 3 258            | 4 892            |
| Other                                          | 17 423           | 21 317           |
| Segment total                                  | 1 918 338        | 1 584 822        |
| Reporting adjustments                          | 52 431           | 177 400          |
| <b>Group liabilities</b>                       | <b>1 970 769</b> | <b>1 762 222</b> |



## Notes to the condensed consolidated group financial results

for the year ended 30 June 2014

### 1. General information

Assupol Holdings Limited (Assupol Holdings) and its subsidiaries (the group) operate mainly in the financial services industry, and all products and services are offered only in South Africa.

### 2. Basis of preparation and accounting policies

The group has applied the provisions of the Companies Act, no 71 of 2008, which allows for condensed financial results as disclosed in this report.

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the group's annual financial statements as at 30 June 2014.

These condensed financial statements have not been audited.

The accounting policies adopted are consistent with those of the previous financial year except for significant changes as detailed below:

#### Adoption of control suite of standards and revisions

The group has adopted IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, and IAS 28 (revised) *Investments in Associates and Joint Ventures* that deal with the group's involvement in investment in entities for which the group is assessed to have significant influence as well as IFRS 12 *Disclosures of Interest in Other Entities*. These have resulted in changes in accounting policies effective for the

year commencing January 2013 and have been applied retrospectively in line with the transitional requirements of the standards. The group consequently re-examined the combined impact of these standards on all of its investments and interests. This has led to the share incentive scheme and a collective investment scheme to be classified as a subsidiary and associate respectively on consolidated level.

The group selected to apply the equity method to account for its interest in associates in line with the amended IAS 28 *Investment in Associates and Joint Ventures*.

IFRS 12 *Disclosure of Interest in Other Entities* mandates disclosure requirements related to subsidiaries, associates and unconsolidated structured entities and is applicable retrospectively. There was no impact on net earnings as a result of the adoption of this standard.

#### Fair value measurement

IFRS 13 *Fair Value Measurement* is effective for years commencing January 2013 and it defines fair value, a single source of fair value measurement, and disclosure requirements for use in all standards that should result in improving consistency and reduce complexity in fair value measurements. There were no significant measurement changes to valuations of any assets or liabilities as a consequence of the adoption of IFRS 13.

### 3. Summary of critical accounting estimates

The group makes estimates and assumptions concerning the future. The resulting estimates will seldom equal the



related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

### **3.1 Assumptions and estimates relating to policyholder liabilities / assets**

The determination of the liabilities / assets under long-term insurance contracts is dependent on assumptions and estimates made by the group. The full details of these assumptions and estimates are in note 4 to the group annual financial statements for the year ended 30 June 2014. For more information also refer note 7 of this report.

### **3.2 Other assumptions and estimates**

Other assumptions and estimates included in the group annual financials statements for the year ended 30 June 2014 addressed the following items:

- Describing the calculation of the present value of in-force business that was based on a discounted cash flow model;
- The valuation of customer list and contracts that was based on a discounted cash flow model;
- Impairment tests that were performed on all cash generating units to which goodwill is allocated;
- Valuation of owner-occupied properties that are performed tri-annually on an income capitalisation basis;
- The calculation of current and deferred tax; and
- The determination of expense and liabilities concerning share-based payments.

## **4. Segment information**

The group's operating segments are based on the legal entities within the group and are categorised according to similar business activities. The chief operating decision maker, namely the Executive Committee, makes decisions about

resource allocation on the performance of an entity and financial information is provided on that basis. Reporting adjustments are those accounting reclassifications and entries that are required to produce IFRS compliant results. These adjustments also include the results of the holding company of the group and the company where the investments in the non-life entities are held.

## **5. Financial Risk Management And Financial Instruments**

### **5.1 Financial Risk Factors**

The group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk, cash flow and fair value interest rate risk, and hedging), credit risk and liquidity risk. The condensed financial statements do not include all financial risk management information and disclosures required in the annual financial statements. This should be read in conjunction with the group's annual financial statements as at 30 June 2014.

### **5.2 Fair value estimation**

The table on page 63 analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Inputs for the asset or liability that are not based on observable market data thus unobservable inputs.



# CONDENSED ANNUAL FINANCIAL STATEMENTS CONTINUED

| Consolidated 2014 (R'000)                                                    | Level 1          | Level 2        | Level 3  | Total            |
|------------------------------------------------------------------------------|------------------|----------------|----------|------------------|
| <b>Financial assets designated as 'at fair value through profit or loss'</b> |                  |                |          |                  |
| Local listed shares                                                          | 1 185 782        | 22 295         | -        | 1 208 077        |
| Unit trusts                                                                  | 120 014          | -              | -        | 120 014          |
| Debt securities                                                              | 989 201          | 123 279        | -        | 1 112 480        |
| Deposits and money market securities                                         | 62 911           | 313 526        | -        | 376 437          |
| <b>Total financial assets</b>                                                | <b>2 357 908</b> | <b>459 100</b> | <b>-</b> | <b>2 817 008</b> |

## Financial liabilities designated as 'at fair value through profit or loss'

|                                     |          |                  |          |                  |
|-------------------------------------|----------|------------------|----------|------------------|
| Net investment contract liabilities | -        | 1 285 800        | -        | 1 285 800        |
| <b>Total financial liabilities</b>  | <b>-</b> | <b>1 285 800</b> | <b>-</b> | <b>1 285 800</b> |

| Consolidated 2013 (R'000)                                                    | Level 1          | Level 2        | Level 3  | Total            |
|------------------------------------------------------------------------------|------------------|----------------|----------|------------------|
| <b>Financial assets designated as 'at fair value through profit or loss'</b> |                  |                |          |                  |
| Local listed shares                                                          | 1 002 668        | 8 119          | -        | 1 010 787        |
| Unit trusts                                                                  | 101 938          | -              | -        | 101 938          |
| Debt securities                                                              | 813 852          | 154 159        | -        | 968 011          |
| Deposits and money market securities                                         | 306 198          | -              | -        | 306 198          |
| <b>Total financial assets</b>                                                | <b>2 224 656</b> | <b>162 278</b> | <b>-</b> | <b>2 386 934</b> |

## Financial liabilities designated as 'at fair value through profit or loss'

|                                     |          |                |          |                |
|-------------------------------------|----------|----------------|----------|----------------|
| Net investment contract liabilities | -        | 979 119        | -        | 979 119        |
| <b>Total financial liabilities</b>  | <b>-</b> | <b>979 119</b> | <b>-</b> | <b>979 119</b> |

The table below shows the transfer between the various levels in 2014. There were no transfers in 2013.

| Consolidated 2014 (R'000)           | From level 1 to level 2 | From level 2 to level 1 |
|-------------------------------------|-------------------------|-------------------------|
| Change in validity of quoted prices | 55 565                  | 19 039                  |
| Change in classification            | 81 470                  | -                       |



### 5.3 Valuation techniques used to derive level 2 fair values

Observable inputs generally used to measure the fair value of securities classified as level 2 include benchmark yields, reported secondary trades, broker-dealer quotes, issuer spreads, benchmark securities, bids, offers and reference data.

The fair values of derivatives are calculated using quoted prices. Where such prices are not available, discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

The fair value of financial guarantee contracts is determined using option pricing models where the main assumptions are the probability of default by the specified counterparty extrapolated from the market-based credit information and the amount of loss, given the default.

### 5.4 Fair value of financial assets and liabilities measured at amortised cost

| Consolidated (R'000) | 2014  | 2013   |
|----------------------|-------|--------|
| Other payables       | 6 687 | 17 748 |

The fair values of the following financial assets and liabilities approximate their carrying amount:

- Investments in subsidiaries
- Other receivables
- Cash and cash equivalents
- Borrowings

## 6. Operating and administrative expenses

Operating and administration expenses increased by 19% to R595.1 million. Included in this increase is a reclassification of transactions on the group scheme business amounting R78 million of the increase. The reclassification was a result of transactions being reallocated / reclassified in accordance with updated contracts signed with the respective groups. The effect of the reclassification had no impact on the reported net profit or the Statement of Financial Position. However other items impacted were insurance premium revenue, insurance benefits and claims, and expenses for the acquisition of insurance contracts. There was no effect in 2013. Focused cost management continues to remain one of the priorities for the group.



## 7. Policyholder assets: Insurance contracts

The assets under long-term insurance contracts increased by R416.8 million resulting in a net year-end asset balance of R576.3 million. The primary reason for this increase results from the change in reinsurance modelling, which gave rise to an increase in the net assets of R278 million.

The reinsurance modelling was updated in the following manner:

- Release in margins previously included on the reinsured proportion of the reserve calculation;
- Release in the Aids reserve of the reinsured proportion of the reserve; and
- Updated reinsurance rates.

## 8. Insurance and other receivables

Insurance receivables  
Other receivables

| Consolidated   |                |
|----------------|----------------|
| 2014           | 2013           |
| R'000          | R'000          |
| 79 221         | 69 908         |
| 24 861         | 38 737         |
| <u>104 082</u> | <u>108 645</u> |

## 9. Insurance and other payables

Insurance payables  
Other payables

|                |                |
|----------------|----------------|
| 158 954        | 125 246        |
| 53 856         | 46 239         |
| <u>212 810</u> | <u>171 485</u> |

## 10. Events occurring after the reporting period

### 10.1 Dividend declaration

The board of directors declared a gross cash dividend of R92 023 345 (30 cents per qualifying ordinary share) on 30 September 2014 for the year ended 30 June 2014. On the same date the board also declared a special dividend of R147 237 352 (48 cents per qualifying ordinary share).

The qualifying ordinary shares as at 30 September 2014 excluded the ordinary shares issued to the Assupol Share Incentive Trust and the 'A2' ordinary shares.

The dividends have been declared from income reserves. Secondary tax on companies' credits of R22 359 979 have been used. A dividend withholding tax of 15% will be applicable to all shareholders who are not exempt.

### 10.2 Financial assets – Investments

Subsequent to the reporting date, African Bank Limited (African Bank) was placed under curatorship by the Registrar of Banks and the Minister of Finance on 10 August 2014.

The impact of the measurements imposed by the curator on the value of the debt securities held by the group resulted in an after year-end write-down on the value to the amount of R3.9 million. This impact is based on information available at date of these financial statements. This adjustment represents 0.68% of the total comprehensive income for the period under review.



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